Gerakan Koperasi di Indonesia

(The Co-operative Movement in Indonesia)

MOHAMMAD HATTA

Wakil Presiden Republik Indonesia I & Bapak Koperasi Indonesia
(12 Agustus 1902—14 Maret 1980 M)

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The Co-operative Movement in Indonesia

BY MOHAMMAD HATTA
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Preface

MOHAMMAD HATTA, Vice-President of Indonesia from 1945 through November 1956, is widely known as one of the two foremost leaders of modern Indonesia. Along with Soekarno, he has played a commanding role as a builder of the prewar Indonesian nationalist movement, as a leader of the Indonesian revolution, and as a government official in the postrevolutionary period. Less well known has been Hatta's important work in fostering the growth of Indonesia's co-operative movement. Together with the expansion of educational facilities, the growth of co-operatives has been one of the greatest achievements of independent Indonesia and stands in sharp and pleasing contrast to some of the disappointing developments which have clouded the last few years of its history. But while the spectacular expansion of educational facilities has often been at the expense of quality, the co-operative movement has registered an increase in quality simultaneously with its great increase in size. To a decisive degree this achievement has been a result of the leader-

ship and devotion of Mohammad Hatta. He has fully earned the name of "Father of the Indonesian Cooperative Movement."

A devout Moslem, Mohammad Hatta was born in 1902 at Bukit Tinggi in the Minangkabau region of west-central Sumatra, an area of Indonesia where modernist Islamic thought has long been particularly strong. His father, a widely respected *ulama* (Moslem religious scholar), saw to it that Hatta's grounding in the Mohammedan religion was extensive and thorough. Thanks to the social standing and influence of his parents and because of his own intellectual precociousness, Hatta was one of that handful of the young Indonesians of his time who were admitted to Dutch schools. Graduating with distinction from the top Dutch high school in Batavia in 1921, Hatta was able to proceed to Holland and enter the Rotterdam School of Commerce the following year. Here he developed a wide and profound knowledge of Western culture—history, political thought, and in particular economics. In 1932 he earned the degree of Doctorandus in Economics, meaning that he had satisfied all the requirements for the doctorate except the dissertation (and giving him the right to place the title "Drs." before his name). He then returned to Indonesia.

Very early during his student days Hatta became active in the Indonesian nationalist movement. When one of the first of its organizations, the Young Sumatran Association, was established at Padang, Sumatra, in 1918, he was elected treasurer. Upon his arrival in

Holland he joined the Perhimpunan Indonesia (Indonesian Association), the principal nationalist organization of Indonesian students in Europe. From 1922 until 1925 he was treasurer of this association, and from 1925 until 1929 he served as its chairman. In 1927, as a consequence of his advocacy of Indonesian independence, Hatta, along with four other Indonesian nationalist leaders resident in Holland, was arrested and imprisoned for six months and then released following a trial and acquittal in March 1928. His spirited defense at the trial was later published under the title of *Indonesia Vrij* (*Free Indonesia*) and as such became an important document in the history of the Indonesian nationalist movement. Soon afterward Hatta was to find that the Dutch judicial system operated somewhat differently in the Netherlands East Indies (Indonesia) than in Holland. Upon returning to Indonesia in mid-1932, he assumed the leadership of the small but influential nationalist organization, the Club Pendidikan Nasional Indonesia (Indonesian National Education Club). Its primary purpose was the education of cadres of self-reliant, politically conscious young nationalist leaders, and its program envisaged eventual full independence for Indonesia. While this organization eschewed any recourse to violence or suggestion thereof, it was propagating what to the Netherlands colonial regime were "dangerous thoughts," and within eighteen months, in February 1934, Hatta was arrested by the Dutch authorities and jailed without trial. Thereafter he was sent to Tanahmerah, the notorious swamp- and fever-girdled

concentration camp in the interior of New Guinea. The following year along with several other nationalist leaders, including Soetan Sjahrir, he was transferred to the tiny island of Banda Neira, where he remained in enforced exile until late 1941, when on the eve of the Japanese invasion he was permitted to return to Java. During the Japanese occupation of Indonesia, Hatta was obliged to fill a succession of advisory and administrative positions under their military regime; but while doing so he maintained close liaison with the anti-Japanese Indonesian underground, and according to its top leaders he contributed significantly to the growth of the Indonesian independence movement.

It was Mohammad Hatta who along with Soekarno on August 17, 1945, proclaimed Indonesia's independence. At the same time that the small group of Indonesian nationalists then assembled in Djakarta elected Soekarno as President of the newly proclaimed Republic of Indonesia, they chose Hatta as its Vice-President. Hatta played a key role throughout the Indonesian revolution and in Indonesian political life subsequent to the final settlement with the Netherlands at the end of 1949. As Vice-President of the revolutionary republic he gave this office more life and stature than has probably been the case with the vice-presidency in any other country. With the government of the Indonesian Republic blockaded throughout much of this period by Dutch armed forces, the Republic's regime on Sumatra felt less isolated thanks to the knowledge that Hatta held a position of such consequence at the revolu-

tionary capital on Java. In times of gravest crisis it was Hatta who commanded the requisite prestige and freedom from party affiliation to direct an effective cabinet. Thus at the beginning of 1948 he was asked to head a cabinet charged with implementing the onerous and unpalatable conditions agreed to by the Republic following the United Nations–sponsored Renville negotiations with the Netherlands. It was as prime minister of this cabinet that in the autumn of 1948 he played such an effective role in the suppression of the Communist rebellion against the Republic. Again it was Mohammad Hatta whom President Soekarno designated as prime minister and chief Indonesian negotiator during the critically important United Nations–sponsored Round Table Conference with the Netherlands in the autumn of 1949, the negotiations which finally culminated in an agreement providing that the Netherlands relinquish its claim to sovereignty over Indonesia and that the Dutch colonial regime withdraw. And following the transfer of sovereignty, it was Hatta who as prime minister piloted the new Indonesian state through its trying first seven months of existence in 1950.

Subsequent only to the completion of his last tour of duty as prime minister in August 1950 was Hatta able to devote a significant part of his abundant energies to the promotion of his heart's favorite project—co-operatives. While as Vice-President he still played a substantial role in government, he was now able to devote enough time to the co-operative movement to ensure its rapid development.

In December 1956, following increasing differences with President Soekarno over matters of government policy, Mohammad Hatta resigned as Vice-President of the Republic of Indonesia. Most Indonesians tend to regard this retirement from an active official role in government as a temporary phase; for Hatta has become so much a part of modern Indonesia's history that its people cannot conceive he will long remain out of government. Indeed, the present political crisis has already brought many prominent Indonesians to urge his assumption of a major governmental role. It is significant that in anticipation of his resignation Vice-President Hatta was already looking forward to having additional time to devote to the development of co-operatives. One cannot yet foresee whether the exigencies of the present political crisis will make it possible for him to do this, but there is no doubt that Indonesia needs his talents and leadership for her economic development as much as she needs them for her political re-integration.

This little book is based upon six key addresses relating to the co-operative movement made by Vice-President Hatta during the past six years and an introductory section which he has written to set the stage for the subject matter covered in them. In editing these speeches, I have consulted with him, and insofar as editing has been required it has centered primarily around the deletion of passages which are repetitive and the clarification of certain phrases rendered obscure in the course of translation. These addresses not only

are important because they provide a comprehensive view of the growth of the co-operative movement in Indonesia, its social and economic setting, special characteristics, and the major problems it has faced and continues to face; they are also important because they provide a substantial understanding of the political and economic thought of one of Indonesia's most influential leaders. While Mohammad Hatta has written extensively, authoring during the past thirty years at least a dozen books (in Dutch, German, and French as well as Indonesian) relating to economics, nationalism, and philosophy, this is the first time that any substantial piece of his writings has been available in English.

Mr. Roesli Rahim, head of the Co-operative Service of the Ministry of Economic Affairs, has been kind enough to write the introduction to this book. As the man who, next to Vice-President Hatta, has been chiefly responsible for the growth of Indonesian co-operatives, Mr. Rahim is uniquely qualified to do this. It has in fact been Hatta's vision and leadership in combination with the energetic and devoted labors of Mr. Rahim that have made the Indonesian co-operative movement so successful. I should like to express my appreciation to Mr. Rahim for his generosity in taking time from his heavy work schedule to write this very useful introduction.

GEORGE McT. KAHIN

Cornell University
June 1957

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Introduction

INDONESIA is an agrarian country with a population of over eighty million people. It is estimated that over 80 per cent of the population depends on agriculture, producing rice, rubber, copra, tea, coffee, tobacco, cinchona, pepper, coconut, gambier, incense, and other forest products. With the exception of rice, all the above products are exported in order to earn the foreign exchange necessary for the import of consumption goods and capital goods. Consequently, the fluctuations of world market prices strongly and directly influence the standard and plane of living of the members of our community. The establishment of a sound national economy entails changing the whole of the existing economic structure. The industrial field must be enlarged and a greater variety of agricultural products must be introduced. We must achieve a balanced economic structure, not dependent on incidental factors abroad. These desired economic changes will not come of their own accord. For the building up of a sound national economy, its foundation, the people's economy,

must be made healthy and strong. It is quite obvious that this endeavor requires not only hard work but also perseverance.

But in order to raise the economic level of the population many problems have to be faced and overcome: (a) limited knowledge of economics, (b) limited knowledge of organizational problems, (c) limited technical knowledge, (d) shortage of land or fragmentation of individual holdings, (e) psychological effects of 350 years of colonial rule.

The position of the Indonesian agrarian producers, those producing exports as well as the ricegrowers, should be considered. Forming the bulk of our society, they constitute the weakest group because of two basic factors: the lack of organization and economic know-how and the lack of capital.

The consequence of the lack of organization and economic know-how is that the import and export business is in the hands of a restricted number of large-scale private enterprises and the more clever people in the cities, where profit making is monopolized. The rural community possesses only productive enterprises which work on the obsolete basis that the margin between the cost of the raw material and the manufactured product is the profit; labor value is not taken into account. The farmers bring in foreign exchange, but they do not gather the fruits of their productive activity.

The economic policy of our government must therefore be aimed at gradually liquidating this anomaly so as to balance the economic strength of our rural com-

munity with the other groups of the Indonesian society. With regard to the lack of capital, since the income derived from farming is a seasonal income and in very large measure depends upon the harvests and their financial yield, the peasant periodically—that is to say in the interharvest periods—is in need of credits. Furthermore, he may require credits when there is crop failure because of drought or plant disease. This chronic need for credit all too often causes the peasant to borrow money on unfavorable terms from speculative crop purchasers, who grant such credits without many formalities in order to secure his agricultural produce under profitable conditions. In most cases such credits are in the form of cash to be repaid in kind after the harvest. These repayments in kind very often have the result that the peasant must transfer the greater proportion of his crop to the creditor, so that the farmer, after having paid off his debt, retains for himself only a small portion of the crop. This sort of thing causes the peasant to be constantly in debt, with the result that his economic position becomes steadily worse. Faced with this problem, the peasant cultivator is often forced to go to the moneylender, generally a well-to-do villager. Borrowing terms are easy, money being available on the spot, but the rates of interest are killing. It is then no surprise that these peasants increasingly become the victims of moneylenders who eventually own their crops and thus become the "cancer of the people."

The Indonesian government is fully aware of the peasant's urgent need for assistance, but it emphasizes

that improvement of rural economic conditions will come about only through activity of the community itself—mainly through the establishment of co-operatives, an ideal means for providing practical training in the economic field, the safest way for forming national capital, and at the same time a means for animating the initiative of the peasant and strengthening his self-respect.

Historical Background

An understanding of the position of co-operatives in present-day Indonesia and of the problems encountered in promoting their growth requires some knowledge of their early history in our country.

The unsatisfactory economic condition of the rural population toward the end of the last and the beginning of this century made the supply of agricultural credits on a large scale an urgent necessity. Originally it was thought that the solution was to be looked for in the direction of rural credit co-operatives. The traditional principle of mutual aid prevailing in Indonesian villages for building houses, tilling ricefields, preparing customary festivities, and so forth might, it was thought, form a suitable basis for co-operation on economic lines as known in western Europe. This principle of mutual aid, however, prevailing all over Indonesia as appears from such different regional denominations as "*gotong-rojong*," "*tulung-tinulung*," "*sambat-sinambat*," and "*mapalus*," is a form of incidental social co-operation, sanctioned by age-old customs. It brings the

people together on the basis of common spirit; their feeling of social interdependence makes them look for the necessary protection by joining together. But it can only be retained within a closed family economy.

Co-operation, however, is the voluntary and continuous economic organization of *independent individuals* who endeavor to gain better living conditions by joint activity; its principles are typical for modern economic intercourse, the money and commerce economy where the economic subject is highly individualized.

Thus, given the requirements of a co-operative credit system, results could be attained only with great patience and in slow stages. It was necessary, however, to deal with the problem immediately so that results might ensue within the shortest possible period. It was not desirable to wait until the co-operative idea penetrated the Indonesian mentality and became reflected in its social structure. For this reason there was no other way than to create a public credit organization, imposing itself from above—a development quite different from the original plan for a credit system based upon traditional patterns of co-operative organization.

About 1890 Raden Aria Wirjaatmadja, patih (deputy regent) of Purwokerto in the regency of Banjumas, central Java, started a small-scale bank with the purpose of assisting his fellow civil servants in paying off their debts to usurers. In 1896 this small bank business was continued by the assistant-resident Mr. Sieburgh under the name of "Aid and Saving Bank." His successor, Mr.

de Wolff van Westerode, gave it a new name—"The Purwokerto Aid, Saving and Agricultural Credit Bank," indicating that he wanted to extend the operation to agricultural credits, meant as a starting point for a co-operative credit system on Raiffeisian principles. Subsequently, he established 250 so-called *desa-lumbungs*, or village storehouses for rice, which provided credit facilities. For these the Aid, Saving and Agricultural Credit Bank was intended to function as a central banking institute. This experiment failed, partly because of poor management of the *lumbungs*, but mainly because the aim to achieve in one or two years the same results which took the Raiffeisians more than twenty laborious years was apparently too ambitious.

The first endeavor of the Indonesian people themselves to achieve better living conditions by means of co-operative societies coincided more or less with the beginning of a national revival on Java in 1908. In that year an organization was founded called "Budi Utomo" (High Endeavour), which, besides aiming at educational improvements, paid much attention to the establishment of consumers' co-operatives. These co-operatives, however, were mostly short-lived on account of lack of organizational efficiency and lack of understanding among their members. Budi Utomo thereafter restricted itself largely to the educational field.

In 1913 new efforts were made to popularize the co-operative idea, this time by the association of Moslem traders, Sarekat Dagang Islam, the forerunner of the

political association Sarekat Islam. Since this association had Islam as its basis, it became highly popular with the people. Stimulated by its propaganda, hundreds of co-operative shops sprang up all over the country, most of which had little success. This failure shocked people's confidence in co-operation so much that the mere mention of the word "co-operation" was repugnant to them.

The first government act referring to co-operatives in Indonesia dates from 1915. It was a copy of the co-operative bill in the Netherlands and applied to all racial groups of the population. It failed to develop Indonesian co-operatives; on the contrary it proved to be more hampering than stimulating. The procedure of incorporation for which it provided was too costly and too complicated. Furthermore, since incorporation was done along European lines, barring Indonesian customary rights and liens on land, the Indonesians made but little use of this act.

The unsuccessful attempts of the Indonesians themselves to start a well-devised co-operative movement, together with a lack of regulations suitable to Indonesian society, led the Netherlands Indies government in 1920 to establish an official Commission for Co-operative Societies. Its appointed task was "to investigate the importance which a co-operative system may have for Indonesia and to recommend the means by which it can be extended." The commission made a study trip to India in 1921 and, regarding the economic conditions in India as being almost the same as those of

Indonesia, drafted a bill on the model of the Indian Co-operation Law of 1904 as revised in 1912. In its report the Commission resolved that the government should abandon its attitude of "wait and see" and engage in an active social policy.

Six years later, in 1927, the government promulgated a "Regulation on Indonesian Co-operative Societies." The new regulation not only provided the people with a legal basis for co-operative societies, but also imposed upon the government the task of acting as an educator in giving guidance and information regarding co-operative principles and their application. It enabled Indonesian co-operatives to acquire Indonesian incorporation in a simple and inexpensive way; it granted certain privileges, including exemption from stamp duty and taxes. Moreover, a co-operative society, based on the regulation of 1927, was an incorporated one, entitled to perform legal acts in the Indonesian legal sphere of customary law, or *adat*. This was of importance particularly because it enabled the exercising of customary agrarian rights, such rights being restricted solely to Indonesian persons, natural and juridical. Thus the Indonesian co-operative was able to adapt itself entirely to the credit uses as they prevailed in the native village; in granting credits to its members, it could establish liens on real estate on the basis of customary agrarian law, thus remaining within the Indonesian legal sphere.

But whereas the formal requirements became less stringent when the co-operative was established, it had

as a counterweight government supervision and audit. This was necessary because the Indonesian people, lacking economic experience, had to deal with a new project, and its failure would not only disappoint that organization but would also cause the entire co-operative effort to become discredited. On the other hand, of course, nothing is quite so encouraging in the economic field as an example of successful management.

In actual practice the new regulation was not a success at first. The promulgation of the regulation coincided more or less with a new phase in the Indonesian national-political movement. To a certain extent influenced by the course of events in India, the idea of "nonco-operation" was gaining ground in Indonesian nationalist circles. The new regulation, with its stringent rules regarding supervision and audit, was considered another piece of colonial legislation, calculated to hamper and dominate Indonesian economic institutions. The government did not intend to turn the co-operatives into governmental institutions; it mainly wanted to assist where the organizing ability of the people appeared to be deficient. Where possible, the audit of the management and the business of the co-operative was considered the private concern of the co-operatives, while the supervision could be delegated to private persons or organizations, more or less active in the field of co-operation. It should be remembered, however, that supervision requires a good deal of tact, since the leaders of co-operatives must have some basic knowledge of business principles, which they do not

always possess; co-operative business brings them in direct contact with affairs of a greater magnitude than they are used to in their own spheres of business.

In 1929 governmental supervision was delegated for the first time to an Indonesian organization in Surabaya. This occurred as a consequence of the abolishment of village (*desa*) administrative units within the city of Surabaya and the resulting conversion of nine village banks into co-operative societies in order to maintain their independent position. A moderate nationalist organization, the Indonesian Study Club, was willing to take over the supervision. Founded in 1927 by a small number of Indonesian intellectuals, the Study Club had for some time supported the establishment of co-operatives among the Indonesian people.

In 1929 a so-called Co-operative Congress was organized in Djakarta under the auspices of the then recently established political association Partai Nasional Indonesia (Indonesian National Party), led by a group of young nationalists, some of whom had studied the co-operative movement during their education in Europe. This Congress aroused the interest in co-operation again, with the result that all over Java the urge to establish co-operatives of various kinds was visible. It reached its peak in 1932 and then fell off sharply after the enthusiasm had cooled down, especially when it appeared that the majority of the co-operatives that had been established vanished as quickly as they had sprung up.

Meanwhile the government, convinced of the benefit of a co-operative policy, endeavored to teach the mil-

lions of rural producers an appreciation of the co-operative technique as a means of improving their standard and level of living. The village schoolmasters gave much valuable help. They proved to be extremely useful for propaganda purposes among the members of the rural population and for checking account books of the co-operatives of the illiterate farmers. Just before World War II there were in Indonesia 574 co-operative societies in operation with 52,555 members and fl. 351,544 capital (reserve fund).[1]

World War II and its aftermath struck the Indonesian co-operative movement heavily. Scorched-earth policy resulted in a very great loss of properties of many co-operatives. During the Japanese occupation, an order forbidding the village schoolmasters to pay attention to the co-operative movement deprived the co-operatives of capable leadership. Moreover, the co-operatives were misused for the purpose of buying produce from the population at low prices to supply the Japanese army and for the benefit of the Japanese trading firms. No wonder people lost once more their confidence in co-operatives.

In 1945 the independence of Indonesia was proclaimed. The first constitution of the Republic (1945) stated that the Indonesian economy was to be based on the principle of all being of one family. The Civil Service promoted the establishment of rural consumption co-operatives, while cadre courses were held to

[1] The florin (guilder) was at this time worth about $U.S. 0.40. [All notes except book citations are the editor's.]

acquaint the farmers with co-operative principles and management. Considerable amounts of savings were collected to supply the working capital; but all this money could not be properly used, because the blockade of the Dutch following their military actions resulted in an over-all scarcity of goods. Furthermore, the money was very often unlawfully used because of lack of control, since the Co-operative Service had not yet resumed its function. Again the people lost their confidence in co-operatives.

The Postrevolutionary Period

It was only after the transfer of sovereignty by the Netherlands to the Republic of Indonesia that the independence of our country could be really implemented. The government's stand vis-à-vis co-operatives has been clear: they are considered a means, even a basic principle, for the reconstruction of the economy in Indonesia, and the government of Indonesia has assigned the co-operatives a considerable task in the sphere of its reconstructional activities. Government action for the development of the co-operatives has been channeled through the Djawatan Kooperasi (Co-operative Service), a department of the Ministry of Economic Affairs. Its principal target has been to prepare a suitable "climate" for the development of co-operatives, including restoration of the people's confidence in them. Its other tasks include the registration of co-operatives, further development of co-operatives, propaganda and education, and control and supervision.

It should be made clear here that the Djawatan Kooperasi does not propose to perpetuate its abovementioned function beyond such time as the cooperative movement needs to take over its task, with the exception of the registration of co-operatives.

Types of Indonesian Co-operatives

Credit co-operatives. From the outset the government has stimulated the establishment of credit co-operatives; these were the majority of co-operatives established before World War II. In order to free the peasants from unfavorable loans by moneylenders and to form working capital, the credit co-operative was practically everywhere the first to be established, except in Sumatra and in West Java, where the producers' co-operative came first. Nevertheless, in these two areas as well the number of credit co-operatives very soon exceeded the number of every other kind. By the end of 1940 there were 478 registered credit co-operatives in Indonesia, while at the end of 1954 the number was 3,178.

Consumption co-operatives. Although the interest in co-operatives on the part of the Indonesian people was at first principally concerned with the establishment of organizations for joint purchasing of consumer's goods (such as rice, sugar, coffee, tea, cigarettes), the results of this type of co-operative, barring a few favorable exceptions, have remained far below expectations. Factors which impede the development of consumption co-operatives are the more laborious bookkeeping, service, centralization of purchasing, and so on that are

involved. Moreover, in contrast to the situation in Europe, with its co-operative wholesale societies, the Indonesian consumption co-operative has to purchase its goods from local private retailers.

Processing co-operatives. At first the government did not dare to promote the establishment of processing co-operatives, since it lacked processing equipment. In postwar years, however, the Indonesians have gone in for branches of industry which before were not practiced by them. Now that some experience has been acquired in the industrial field, the processing co-operative stands a good chance of success, though the lack of material outfit still forms a handicap in competing with the private enterprises.

Marketing co-operatives. There are many agricultural co-operatives, such as those for copra, rubber, pepper, and tea, but so far the Djawatan Kooperasi has not yet dared advocate the centralization of their sales. The fear that an attempt at centralization may fail arises from the lack of equipment and means of transport. As long as no trucks and motor vehicles are available, a co-operative marketing organization will not be in a position to render the same service as the private enterprises.

Current Aspects of Co-operative Education

The favorable postwar development of the co-operative movement in Indonesia was due to the following factors. First of all has been the animation given

to the movement by Dr. Mohammad Hatta, Vice-President of the Republic of Indonesia, who rightly is called "The Father of the Indonesian Co-operative Movement." In addition, especially since 1950, the staff and personnel of the Djawatan Kooperasi has been substantially increased, although this department is still considerably understaffed.

Another factor of great importance has been the intensive training of the population in co-operative work, in particular the organization of courses for cadre. There are at present forty-three training centers for cadre all over Indonesia, especially for the benefit of villagers who, after having finished their course, return to their villages. They bring into practice their knowledge thus acquired and convey this to their fellow villagers.

The subjects of the curriculum are: history of the co-operative movement in Indonesia and abroad, co-operative principles, bookkeeping, co-operative management, and civic education. The course is divided into two parts, each lasting one month. During the first part of the course the subjects are taught theory; later the trainees are enabled to practice in their own villages what they have learned. During the second part of the course the various subjects are taught more thoroughly, as they have been put to a test by the trainees. All costs of this training are paid for by the government. In this way no less than twenty thousand trainees have finished a full cadre course.

In addition, courses are organized for the officials of the Djawatan Kooperasi, each for a period of about four months. After such a period the officials return to their districts in order to bring their newly acquired knowledge into practice, but also because the shortage of staff makes it undesirable to keep them away from their districts for long periods. Moreover, officials of the Djawatan Kooperasi and foremen in the co-operative movement are sometimes sent abroad for study in order to broaden their knowledge and their view. At the University of Indonesia (Economic Faculty and Agricultural Faculty) college courses on co-operation are given, and on the initiative of the co-operative movement high schools have been founded at Jogjakarta and Bandung for the sole purpose of teaching the various subjects relating to co-operation.

System of Savings

The most urgent need is to redeem the population from usury. In order to achieve this, the Djawatan Kooperasi has promoted the formation of capital by means of compulsory savings. Every co-operative, of whatever kind, requires its members to pay dues periodically (daily, weekly, monthly, or seasonal savings) and also to contribute incidental savings (on receipt of a loan, when selling produce, or when buying goods). In order to emphasize the fact that a co-operative must be based on the principle of self-help and to secure the regular formation of working capital, different kinds of

savings have been introduced in the Indonesian co-operative movement:

(1) *Simpanan-pokok*. This saving consists of an amount, as fixed in the by-laws, which each member must save for the co-operative in order to participate in its basic social capital, and which at the termination of the membership becomes a claim on the co-operative in the aforesaid amount, but may be reduced as a consequence of the member's liability for losses of the co-operative.

(2) *Simpanan-wadjib*. This consists of minimal periodical amounts which each member has to save for the co-operative, the times being fixed in the by-laws, and the contribution not being withdrawable during membership.

(3) *Simpanan-manasuka*. This saving is completely voluntary.

(4) Special purpose savings. These are intended to be spent in the near future, e.g., to defray the expenses of a pilgrimage or a traditional festival.

Since 1951, every year on July 11, Co-operatives Day is observed throughout Indonesia. At every meeting of the local co-operatives the address of Dr. Mohammad Hatta, Father of the Co-operative Movement, is read. Following Co-operatives Day is Co-operatives Savings Week, starting July 12. During this week, campaigns are directed to members and nonmembers, and they are urged to save for the purpose of contributing to the co-operatives. From the following figures the increase in savings from year to year can be seen:

First Co-operatives Day	1951	Rp.[2]	538,557.53
Second " "	1952	Rp.	934,971.14
Third " "	1953	Rp.	3,722,894.81
Fourth " "	1954	Rp.	7,217,941.70
Fifth " "	1955	Rp.	12,516,600.60

The yearly figures relating to savings and reserves show that the movement lacks capital, a factor preventing its full growth. In various ways, through self-help and self-finance, the effort has been made to increase capital in the shortest possible time.

When comparing the prewar co-operatives with the developments from the Transfer of Sovereignty (end of December 1949) to this day, one observes a distinct difference—not only as far as numbers are concerned but also in quality and in the way the spirit of the present-day co-operative movement adheres to its principles. It is also obvious that as the co-operative movement grows its problems multiply accordingly, and their solutions contribute to the technology of the co-operative movement. New complications will arise that will demand effective day-to-day decisions, and thus it is necessary to keep up to date the way of thinking and the working methods of the co-operative movement.

Problems

We are still far away from our goal; there are still

[2] The value of the rupiah (Rp.) at the official rate is approximately $U.S. 0.088 (thus 11.4 rupiahs to the U.S. dollar). Its value at the free market rate has ranged between one-half and one-third of this.

many difficulties to be surmounted. Among these problems are the following.

Indonesia is divided administratively into ten provinces and 180 regencies. In each provincial capital there is an inspection office of the Co-operative Service, and it has an agency in every regency capital. While 2,500 officials are needed to man the regional offices of the Co-operative Service, only 1,400 are at present available. Moreover, each regency center needs at least one jeep in order to enable it to carry out routine supervision (at least one visit to each co-operative society every three months). At present only 62 out of the 180 agencies have jeeps at their disposal.

The illiteracy of the people, although already reduced considerably, constitutes a great handicap to an efficient organization of co-operatives. The combating of illiteracy is therefore an urgent need.

Many political parties include promotion of the co-operative movement in their programs. Some have actually started co-operatives, but only among members of their own party. This is unfortunate, for the Co-operative Service cannot recognize and incorporate co-operatives if they are contrary to the co-operative principle of political neutrality.

In some parts of Indonesia the population adheres to the tenets of the Koran in such a way that they are averse to paying any interest, although the interest charged by the co-operatives is far from usury and is aimed merely at combating usurers. The explanatory information that such interest is charged for covering

operating costs has up to now not met with the expected response.

But in spite of all this it can be said that the co-operative movement shows signs of progress that hold much hope for the future. As Dr. Mohammad Hatta has stressed, the best and quickest way to raise the standard of living of the peoples of Asia is by way of co-operatives, and also a close co-operation between the peoples of Asia will greatly accelerate this process.

I hope that this summary picture of the Indonesian co-operative movement will be useful for the reader in understanding the addresses of the Vice-President of Indonesia, Dr. Mohammad Hatta.

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Ministry of Economic Affairs

Djakarta
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The Co-operative Movement in Indonesia

I. *The Place of Co-operatives in Indonesian Society*

CO-OPERATIVES are societies in which all are working together to accomplish the same purpose. In co-operatives there is no such thing as a nonactive member.

When observing the development of the co-operative movement in Indonesia and the various efforts to foster this movement, one should make a distinction between two types: social co-operation and economic co-operation, both of which are prevalent in Indonesian society.

Social co-operation is the older type, mutual assistance being second nature to our people. In the traditional Indonesian villages all work which is too heavy for one person is done with the aid of fellow villagers. This is true not only of public works, but also of work done for private individuals. This mutual assistance is practiced when building a house, working the ricefields, or carrying the dead to the graveyard. When Pak Kromo

wants to build a house, he does not engage paid labor, he asks his fellow villagers to help him. Later on, when Pak Amat wants to build a new house, it will be Pak Kromo's turn to help. Paid labor was an unknown concept in the original Indonesian community. Whenever heavy work had to be done everybody helped. This social co-operation is performed without regard to exact economic calculations as to how to obtain maximum results with the least possible expense. Here, calculation of cost does not enter into the picture at all, because the incentive to look for profit (which is why calculations of cost are made) does not exist in the traditional Indonesian community. In that community the common people live by mutual assistance; the heavy burdens are borne together and the good things of life are enjoyed together. This type of social intercourse makes for a strong feeling of *solidarity*, a feeling of harmoniously belonging together.

Economic co-operation, a product of modern times, made its appearance in Indonesia at the beginning of the twentieth century. Its purpose is to improve the lot of the economically weak by means of their working together. This may be illustrated by the example of a broom: each separate twig is weak and breaks easily; but bind them together into a broom, and one gets a strong unit which does not break easily. Thus, economic co-operation is a joining together of those who are economically weak in order to form a strong unit. Working together is the basis of economic co-operation; therefore it must go hand in hand with the feeling of

solidarity. If this feeling is absent, it must be cultivated.

Economic co-operation is brought about deliberately and consciously in order to improve the common standard of living. It endeavors to obtain maximum results with the means available. Organization is the foundation of strength. Therefore co-operatives, as organizations, must bring the weak and scattered economic forces together and assemble them into one positive and strong economic force. Besides a feeling of solidarity, economic co-operatives require *individuality*, a conscious self-respect in relation to one's fellow members, because only members with the proper self-respect can be expected to look after and protect the common interests. Self-respect creates confidence in one's ability to do things. In the traditional Indonesian villages individuality is more or less suppressed, because the people there live according to traditions and customs which have been handed down from generation to generation. A sense of individuality is even considered contrary to the established customs prevailing there, because it is believed to endanger the peace of the community. Individual opinion rarley comes to the fore; only collective opinion counts. Before an individual gives his own opinion, he will always consider the general opinion first.

When mentioning "co-operation" from now on we shall mean economic co-operation only. Although solidarity, one of the pillars of co-operation, is a living thing in the village communities, we should not be hasty in concluding that its presence alone will make

the organizing of economic co-operatives an easy matter. For co-operatives cannot do without the second pillar, individuality, and, as mentioned above, it is far from easy to develop individuality in the village communities. Therefore, if we want to develop our villages into co-operatives, we must teach new ideas which are difficult for the people to accept, because they are different from what the people are accustomed to. This education is presented by means of examples proving the advantages of co-operatives, demonstrated by leaders imbued with a healthy idealism, in whom the people can have faith. Without idealism coupled with an understanding of realities it is impossible to establish co-operatives as they should be.

This education requires patience and the conviction that our ideals will be accomplished. This may take dozens of years, but it must be done. If it is not possible to make these ideas attractive to the older people, because they are completely bound up in their old habits, it must be possible to make the younger generation alive to the ideals and the spirit of the co-operative movement. The minds of the young, which are basically dynamic, must be freed from the fetters of tradition without becoming uprooted. In the minds of the young, historic understanding is to be instilled little by little; they must be made to realize that society is not static, but growing and developing. The young people should get some notion about other communities and other nations. This can be done by teaching them history and geography, beginning in the elementary school. The teaching of

history should give them a picture of the evolution of mankind from primitive times to modern civilization. Human and cultural aspects should be stressed, illustrated with examples of man's progress from century to century. Geography should be taught in a simple and attractive manner in order to show that the earth is the home of mankind. The students should not merely learn by rote the names of mountains, rivers, towns, and the produce of the soil, but rather they should be given some understanding of the meaning of all this for man's life. Also, the teaching of arithmetic in school must be related to definite aspects of daily life. Calculation of percentages and compound interest should make the pupils realize the extent to which usury and the system of borrowing money in advance for unharvested crops are detrimental to the economy of the community. This will later on give them an awareness of the dangers threatening their livelihood, and they will begin to think about ways and means to protect themselves and their livelihood. There should be textbooks for elementary schools containing short stories about life on a co-operative basis. These stories should exemplify the purpose and advantages of co-operatives. All these explanations should be incorporated in attractive stories of daily life.

The history of the co-operative movement in Indonesia had its inception in a small town, Purwokerto.[1] There, in 1896, a Hulp-en Spaarbank was set up, which

[1] A town in southwestern central Java and capital of Banjumas residency.

had as its purpose the protection of the interests of government employees, in order to deliver them from their debts to usurers. This savings and loan bank was not a co-operative bank. But the ideas underlying the founding of this bank prompted the assistant-resident, DeWolff van Westerode, to promote the setting up of of a chain of credit co-operatives for peasants throughout the residency of Banjumas. He created a farm credit organization in accordance with the type of the Raffeisian banks, whose development he had seen himself in Germany. On his initiative, the character of the Hulp-en Spaarbank at Purwokerto was changed accordingly, and it became the Poerwokertosche Hulp-, Spaar- en Landbouwcredietbank. The granting of credit was then extended to peasants. Many peasants were likewise victims of usury and the *idjon* system [2] and needed to be cured of this economic disease. At approximately the same time, throughout the Banjumas region 250 village granaries were set up, which provided rice on credit. Following the establishment of these village granaries village banks were established, which provided money on credit. Patterned after the bank of Purwokerto, People's Credit Banks were set up later throughout Java and Madura. From the beginning, these banks operated under government supervision. In 1934 all these separate banks were incorporated into the Algemeene Volkscredietbank, which had its branch offices throughout Indonesia.

The development of the Algemeene Volkscrediet-

[2] *Idjon* system—a mortgaging of crops before harvest.

bank, the People's Bank, was at variance with the ideals of De Wolff van Westerode. He had in mind a co-operative farmer's bank, like the Raffeisian banks. What had come into being, however, was a People's Bank with the qualities of a co-operative. The characteristic feature of such an ordinary bank is that its working capital is increased by the profits derived from the high interest charged on credit given to the people.

It can truly be observed that the development of the co-operative movement in Indonesia runs parallel with the progress of the national movement. Before the founding of Budi Utomo in 1908, a precursor of the popular movement, nothing was heard about the ideals of co-operatives. At that time the only notions about co-operatives were those of Dutch officials. Naturally, their development was dependent on the views of the Netherlands Indies government. It has been only since the inception of the national movement, starting with Budi Utomo, that the ideas of economic co-operation have begun to come to life in the Indonesian community. It can therefore be said that it was the national movement which stimulated the development of the cooperative movement. National feeling became its guiding spirit. This is not surprising, because our national movement has from the very beginning been directed toward the improvement of the circumstances of the people. Education and economic policy were the most important items in the platform of every party which came into being, successively Budi Utomo, Nationaal Indische Partij (N.I.P.), Sarekat Islam, Partai Kom-

munis di Indonesia (P.K.I.), Pasundan, Partai Nasional Indonesia (P.N.I.), Indonesische Studieclub Surabaya, Partai Indonesia (Partindo), Pendidikan Nasional Indonesia (the new P.N.I.), Partai Indonesia Raja (Parindra), and so forth. Even the Taman Siswa School system was founded for the purpose of building up national education by means of self-help. An economically weak people will not be able to form a strong nation. And its economy will continue to be weak as long as the majority of the people are still illiterate. It was in the realization of the close correlation between these problems that education and economic policy had equal status in the programs of all parties with their political demands.

From the beginning it was realized that this weak and suppressed people's economy could never be built up as long as everyone continued standing all by himself, or conducted his business, such as is customary among foreigners, by means of founding a firm, limited liability company, *kongsi*,[3] or other capitalistic organization. Of course a group of several hundred economically strong people can choose these types of business organization. For the common people, however, these types are not practicable. The economic structure which is most adapted to the circumstances of our people is the co-operative. Therefore the national movement has at the very outset strongly propagated the setting up of co-operatives. The figures of Table 1 in the Appendix

[3] *Kongsi*—Chinese trade association.

clearly demonstrate the influence of the nationalist movement and of our independence on the economic consciousness of the people and their lively interest in the co-operative movement.

Credit co-operatives succeeded in making progress little by little, and until now the greatest number of co-operatives have been of this type. The majority of these credit co-operatives are found in the industrial sector; in the argicultural sector there are more sales co-operatives. Rather few in number are co-operatives for the joint buying of raw materials and equipment needed for production. The number of production co-operatives, in the sense of producing co-operatively, is still very small indeed, whereas it is precisely this type of co-operative which should become the foundation of our community, in accordance with the Constitution of our country, Article 38.[4] How rich is our soil in raw materials, which can be worked by the people themselves into finished products through co-operative enterprise!

[4] Article 38 of the present Indonesian constitution states:

"1. The national economy shall be organized on a co-operative basis.

"2. Branches of production of importance to the State and which vitally affect the life of the people shall be controlled by the State.

"3. Land and water and the natural riches contained therein shall be controlled by the State and used for the maximum prosperity of the people." [This is the semiofficial translation as prepared by the Ministry of Information. It is not a literal translation of the Indonesian text.]

Many of the consumer co-operatives, a large number of which at first had been set up at the prompting of the political movement, have failed. People quickly realized the advantages of collective buying of the daily necessities of life such as rice, coconut oil, salt, coffee, tea, sugar, cigarettes, kerosene, various other foodstuffs, and clothing. When buying collectively through a co-operative, one can buy great quantities at a time at lower prices. In this connection, however, one faces competition from the existing *warungs* (village stores), which hold a strong position in the community. When the *warungs* realize that the co-operatives will become their trade rivals and take away some of their customers, they lower their prices as much as possible and sell their wares cheaper than the co-operatives. If necessary, they are even prepared to take temporary losses. Because of a lack of feeling of solidarity among the members of a co-operative, some of them will start buying from their rival. In the long run such a co-operative loses money and fails. After this has happened, the *warung* raises the prices of its wares back to what they were in the first place, thus making up for the temporary losses it had accepted.

Moreover, the co-operative is no match for the *warung* in experience, skill in procuring merchandise, and the laying in of complete stocks with an eye to the future needs of its many customers. For a co-operative might run short of available capital, and when there is not enough solidarity and inner conviction

among its members to cope with its limitations vis-à-vis the *warung*, it will be doomed to failure.

Margono Djojohadikoesoemo,[5] a man of great accomplishments in the co-operative field, states that another reason for the failure of consumer co-operatives in the past has been the credit system. The *warungs* allow the people to buy on credit by writing chits which will be payable at the end of the month. This chit system does not exist with co-operatives, because they buy for cash and sell for cash. Members of a co-operative who want to buy something but have no cash will in the long run be misled by this credit system; when their feeling of solidarity is not strong enough, they become disloyal to their co-operative and go to a *warung* for their purchases.

We have to take these temptations into full account when we try to foster consumer co-operatives, particularly among the workers and those living in the *kampungs*[6] of large cities. The workers, who have more or less acquired a sense of their own individuality, must set up their own co-operatives, but they must learn to develop a feeling of mutual solidarity. They must have patience and be prepared to make sacrifices for the de-

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[5] One of the few trained economists among the older generation in Indonesia, a director of one of the Republic's first banks, and author of *10 Jaren Coöperatie* (Batavia, Volkslectuur, 1941).

[6] *Kampung*—a residential and social unit, composed primarily of working-class and lower-middle-class elements. Usually each has its own administrative head.

velopment of their co-operative, which is bound to bring about future benefits and happiness. Without patience and sacrifice consumer co-operatives can hardly be kept alive. First of all, consumer co-operatives, as economically weak organizations of the small man, are naturally inferior to *warungs* and the larger stores in every respect. But their purposefulness together with the experience gradually gained can in the long run strengthen the co-operatives so that they can compete with the *warungs* and stores. The example shown by the consumer–co-operative movement in England provides an encouraging pattern.

Besides these three types—the credit co-operative, the production co-operative, and the consumer co-operative—there are three other types that have come into being in Indonesia: housing co-operatives for building homes, debt-riddance co-operatives, and rice co-operatives. Most of the housing co-operatives have been founded in the bigger cities. In the cities one feels what it means not to have a house of one's own and to be forced to live in an often unsatisfactory rented house. Government employees in particular have wanted to own their own homes. The economic weakness of the majority of government employees has been the reason why this type of co-operative movement has not been very successful. Several *bouw-spaarkas* (building and savings funds) sprang up like mushrooms during the rainy season, without proper consideration of economic realities. In the end they failed one after the other.

The debt-riddance co-operatives and rice co-operatives have been set up primarily in behalf of the peasants, in order to free them from extortionate usury and the pernicious *idjon* system. It often happens that the small peasants pawn their ricefields or their gardens which produce coconuts, mangoes, oranges, and so forth, on the most onerous terms. As a result, even before the crops on the fields have ripened, their ownership has already fallen into the hands of the *tukang idjon* (mortgagee). By means of co-operatives, an attempt has been made to free the farmers from this intolerable extortion and to prevent those who were freed from their debts from being ensnared once more by the *tukang idjon*.

Margono Djojohadikoesoemo was right when he said that these debt-riddance co-operatives can be considered a kind of production co-operative. Those who wish to be freed from their debts are the people who produce rice or fruit; in other words, they are producers. By selling the produce of their ricefields and fruit gardens collectively, and by earmarking part of the proceeds for paying off installments on their debts, the peasants no longer lose the rewards of all their hard work to the *tukang idjon*. Actually, the battle against the *idjon* system should not be fought only with co-operatives, but also with radical social legislation, which, for instance, could make it an offense to pay back one's *idjon* debts and could provide for the confiscation of the property of the *tukang idjon* if he continues his

antisocial activities. A national government, which is guided by the *Pantjasila*,[7] not only has the right to do so, but it has the inescapable obligation to do so. Is it not one of the aims of the *Pantjasila* to bring about the happiness and the welfare of the people in the constitutional and completely independent state of free Indonesia?

The rice co-operatives were originally set up for the same purpose as the debt-riddance co-operatives, but they are limited to ricegrowers only. These co-operatives give assistance to the ricegrowers by allowing them to pay the installments of their debt with rice, and this rice is then stored in a rice barn. The co-operative sells the rice at the time when prices are high, which is usually the case when the people are working their ricefields. A member who is in need of credit is given a loan of money out of the proceeds of the sale of the rice. He then pays off his debt with rice.

Margono Djojohadikoesoemo explains in his book on co-operatives that there are the following four types of rice co-operatives:

1. *Seed co-operatives*, which were established under the supervision of the Agricultural Information Department for the purpose of improving the quality of rice seed by selection;

2. *Credit co-operatives*, which were originally set up

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[7] *Pantjasila*—philosophy upon which the Indonesian government is officially based and comprised of five main points: Divine Omnipotence, humanity, national consciousness, democracy, and social justice.

in various places as substitutes for the village rice co-operatives which had been abolished by the government;

3. *Idjon co-operatives*, which were organized for the purpose of eradicating the *idjon* system, as explained above;

4. *Tax co-operatives*, which were originally set up to induce the people to put part of their rice in storage, in order that later on they could pay their taxes out of the proceeds of the sale of their rice.

These various kinds of rice co-operative organizations clearly illustrate their usefulness for the village economy. They are perfectly adapted to the exigencies of the villages, particularly in creating a balance between the season of rice surplus and the *patjeklik*[8] season. With sufficient rice supplies on hand, the people are learning by joint enterprise to improve their economic situation, which languished under the evil of the *idjon* system. Therefore these rice co-operative organizations should be given every support. Each village should have a rice co-operative that can fill the various credit needs and ensure a decent life for its inhabitants. When provision is made for the autonomy of villages, it would possibly be a good thing if it were stipulated that the maintaining of a rice co-operative is one of its most important responsibilities.

The co-operatives of various types in Indonesia have a quality of their own which often puzzles Western observers. This quality is the character of the Indo-

[8] *Patjeklik* season—the period between harvests.

nesian community. When measured against co-operative standards in the Western world, our Indonesian co-operatives still have a great many social aspects which relate to the spirit of mutual assistance. The profits, after having been partly distributed to the members in accordance with the value of each person's contribution to the co-operative, are not only reserved for enlarging the still inadequate capital of the co-operative, but a portion is earmarked for charitable purposes, such as for the setting up of polyclinics, the building of mosques, the arranging for circumcision ceremonies for orphan children or the children of laborers or other members of the co-operative. Margono states that savings and credit co-operatives give rise to various social foundations, such as funeral foundations and school and scholarship foundations. When borrowing money for these purposes, which are not connected with the interests of the co-operative as such, one has to pay a higher rate of interest.

According to the Western way of thinking, this can hardly be called good economics, because the primary purpose of a co-operative is to reinforce a weak economy. Reserve capital must be created as quickly as possible; therefore it is not fitting for the co-operatives to give generously to charity. The Indonesian co-operatives however, consider themselves as part of the Indonesian community, which is why they feel more or less responsible for the welfare of the community in their own locality. For the same reason, community spirit and social feeling are still part and parcel of the

economic co-operatives in Indonesia. This spirit may make them economically less effective, but on the other hand it enhances their position in the community. After careful analysis one finds that a co-operative is basically not an association of selfish "small men," but an association which protects the interests of the "small man" in general. A small and enthusiastic group of people takes the initiative; others follow. Therefore all efforts should be made to arouse the people's interest in co-operatives, even if limited to social aspects only, as *long as this does not seriously handicap the economic activities of the co-operatives.*

When comparing the development of co-operatives in our country up to the present time with our objectives, as laid down in Article 38 of the Constitution, it must be admitted that until now progress has not been very significant. Our co-operative movement is still very small in relation to its lofty aims. We are only at the beginning of the road. We have not yet taken many steps forward, and there is still a lack of self-confidence. But it is gratifying that the spirit of co-operation has been planted and that popular initiative is already manifesting itself here and there. The will to progress by one's own efforts has become evident. This is one of the great advantages brought about by the freedom of Indonesia. In the past I have stated that political freedom would stimulate economic activity and the capacity for self-improvement; the truth of this statement has been demonstrated by what progress has been accomplished by the co-operative movement during the past

few years. Therefore, as a free nation, let us not live only by demanding or asking for things. Let us show our own initiative and self-reliance.

Now that we have the authority to organize our country in accordance with our own ideals and intentions, it is our bounden duty to give all possible support to the co-operative movement and channel it in appropriate and adequate organizations. Our ideals are that each section of the community reap and own the fruits of its joint enterprise and that each section of the community fulfill its duty toward the whole. In order to ensure a decent living for each individual, the welfare of the entire community should be increased. The Indonesian community should form a living organism, a living machinery of wheels within wheels, in which each wheel causes the other wheels to turn. Such an association will become a fact once fishing villages, farming villages, industrial or artisan villages are co-operative units as well as political units, and when every city also constitutes an association of various types of co-operatives. It is the aim of democracy that each section of humanity, large or small, take care of its own interests with a feeling of responsibility to all. Each group should be able to take the initiative in providing for the common good on the basis of one for all and all for one. In the field of economics it is only co-operation which can meet this requirement, because each member of a co-operative takes part in the work or activities and shares the responsibilities.

We continually face the difficulty that our ideals

outrun our capabilities. Therefore it is one of our most important duties to train ourselves in striking a balance between our noble ideals and our capacity to act accordingly. Otherwise, when we die we shall only have built castles in the air. The purpose of ideals is to work toward them!

II. *Co-operatives as Education for Auto-activity*

THE co-operative movement is a form of joint endeavor for those with a weak economy.[1] We also find economic co-operation in several other forms: in business firms, in limited-liability companies, and in its strongest form in trusts and cartels. The difference between the co-operative movement and other types of economic co-operation is that, while the emphasis in co-operatives is on the fulfilling of common needs, the other forms of economic co-operation place the emphasis on the search for profits. All the activities of such organizations are entrusted to boards of directors or managements, while the majority of members or shareholders merely wait for profits at the end of the year. In a limited-liability company, for instance, the position of

[1] From the opening speech delivered by Vice-President Hatta on August 8, 1955, before the Seminar on Co-operatives held in Bandung on the initiative of I.L.O. and F.A.O.

a shareholder is not very much different from that of a creditor. He participates with his capital, but his link with the enterprise is not a strong one and can easily be snapped. If he should sell his shares, his connection with the business is ended. A limited-liability company, although it represents a form of economic co-operation, is actually a form of speculation for those who have capital and want the biggest return from it. A limited-liability company is by its nature an association of capital and not an association of individuals. And because of this a limited-liability company is an organization which specifically supports capitalism.

As distinct from the loose co-operation we see in trade organizations, we find close co-operation in co-operative societies. In a co-operative society each of its members participates by contributing his services. Profits earned are not distributed primarily in accordance with the amount of capital invested, but in proportion to the services rendered to the co-operative society. Indeed, co-operative society is a voluntary association which men are free to join and to resign from at will. But membership carries with it certain idealistic and material conditions. A member is free to resign at any moment, yet his connection with his co-operative society is not immediately ended. For a period of time after his resignation, say for the duration of a year, his responsibilities and his capital investment remain with the co-operative. Seeing that a co-operative society is essentially co-operation among people with the same objective of satisfying common needs, any co-operative society is, to a greater

or a lesser extent, bound to a certain ideal. For that reason, a member will not lightly forsake his co-operative association. In every co-operative society is to be found a spiritual bond among its members; therefore it can be said that a social basis is to be found in the co-operative movement. And it is upon this social basis that economic co-operation is founded.

While trade associations such as business firms, limited-liability companies, and so forth are purely economic structures, the co-operative society is structurally sociologic and economic. By this I do not mean to imply that business firms, limited-liability companies, trusts, and cartels do not possess sociological significance. The development of these economic organizations has had a big influence on the development of the society and has consequently given rise to various sociological problems. Big enterprises employing tens of thousands of employees have, in fact, become social entities in their own right. But because economic and juridical control over these undertakings is not in the hands of those who work together for them, the position of these big enterprises has become a topical problem in this century of ours. These enterprises have expanded into social entities that as yet have not at all conformed to the requirements of a society. On account of this, intervention of the government, as the watch-dog of the masses, will continue to increase in these private associations which, basically, are associations of capital. Their actions outside their confines have to be supervised. The rights and welfare of the workers in these

enterprises and of their families should be regulated by laws based upon social justice. And the development of these huge enterprises is to a large extent still subject to a conflict of needs and interests between labor and capital and, because of that, carries with it an overt or covert class struggle.

In the co-operative movement there is basically no class struggle, for co-operatives are a form of co-operation among those with similar interests and objectives. The co-operative movement is not guided by the profit motive but by the desire to satisfy common needs. Admittedly, profits are earned in the running of a co-operative, but such profits as accrue are not the motivating force but a by-product of the work done. The earning of profits is good because thereby occasional risks can be eliminated. It does not matter, however, if no profits are obtained, as they were never the principal objective, the real objective being—and I repeat—provision for common needs and common interests.

I said just now that basically there is no class struggle in the co-operative movement. A co-operative society that really lives up to its name is a form of voluntary co-operation among those who have the desire to look after common needs and common interests. The question of labor and capital does not arise. All the members of a co-operative are at the same time employer and employee and guided by the same ideals. When an industrial enterprise is run on co-operative principles, the class struggle is foreign to it. Among its members are to be found laborers, foremen, supervisors, and those who

have the inherent capacity to be leaders. Wages are decided in line with the importance of the job and the amount of responsibility borne by an individual in the running of the enterprise. Individuals execute their work in harmony with the working hours and discipline demanded by the economics of the enterprise. Nevertheless, after working hours and in matters such as determining the policy of the undertaking and dividing the profits, all of them enjoy the same rights. All decisions are arrived at through consultation on the basis of one man, one vote. F. W. Taussig gives this most accurate definition of the co-operative:

> Workmen get together, and procure in some way (by saving, borrowing, public aid) an initial capital. They possess their own tools and plant, buy their materials, sell the output, and divide among themselves the proceeds. They are their own managers and their own employers; and if successful they can secure business profits as well as ordinary wages, and, not least, can emancipate themselves from the dependent position of the hired employee.[2]

But in practice, based upon existing co-operative laws, co-operatives deviate from this ideal pattern. The outward structure resembles the usual co-operative society, but the situation within is exactly like a normal capitalistic enterprise in which one finds that, by and large, the relationship between labor and capital is subject to a conflict of interests. Here in Indonesia, such a

[2] F. W. Taussig, *Principles of Economics*, 4th ed. (New York, 1947), II, 411.

type of imperfect co-operative is found, for example, in the textile sector of industries and in fishermen's co-operatives. The main work is done by laborers and fishermen, who receive wages, while those who are banded together in the co-operative are their employers, who own the business and possess ships. A union of this sort is not a co-operative but a concentration. In a genuine co-operative there is no conflict of interests; on the contrary, there is a similarity of interests which is achieved by working together. Those who do the main work—such as spin yarn and weave, navigate ships and fish—should become members of the co-operative. The leadership of the Co-operative Service in the Ministry of Economic Affairs is working extremely hard to bring that ideal to pass. The owners of such co-operative societies have shown good will; but the difficulty is that those who work for them prefer to remain laborers earning passable wages rather than assume the responsibilities of membership in a co-operative, such as conferring with each other and attending meetings. They have not realized the benefits that go with those responsibilities. Additionally, membership carries with it the facing of business risks.

All this goes to show that it is not so easy to start and run a co-operative society. It is far easier to participate in a limited-liability company, where the majority of its members have no responsibility and the leadership and management of the industry are handed over to a small group of people. The majority of members are interested merely in the division of profits at the end of

the year. It is more difficult to set up and manage a co-operative because all its members must participate actively, and with an awareness of their obligations, in order to make the undertaking prosper. Members of co-operatives should be filled with the idealism needed to look after common interests; they should have self-respect, and they should have faith in their joint ability to protect their common interests. They should have the confidence that participation in the co-operative movement will help them to raise their status as human beings.

For this reason the co-operative movement calls for education and training which not only cannot be acquired in a short while but must consume decades. First of all the co-operative ideals must continually be kept alive in the hearts of the people. It is only after the people believe in these ideals that it will be possible to start co-operatives for translating these ideals into practice. And when the movement runs well, it, in turn, strengthens the co-operative ideals.

The value of co-operatives lies in their ability to reconcile individual with common interests. The astonishing thing is that through co-operative movement it is possible to achieve a higher living standard built upon simple bases. The co-operative movement does not seek to lay down the principle of creating an elite class. That would be difficult to attain. It proceeds to build through ordinary people who have some idealism in them. Their strength lies in their unity and identity of views in the pursuit of common interests. They do not chase an ideal

high up in the clouds. The ideals they seek, such as the common welfare, are situated in the realm of the possible. Bernard Lavergne is not wrong when he portrays the surprise caused by the co-operative movement as "the creation of an altruistic and just order on human greed."[3] That statement possibly represents a paradox. But its secret is that co-operatives can channel individual objectives in the direction of protecting common interests. Inside that association a person feels himself become strong and loses his feeling of inferiority, and faith in joint ability is made increasingly firm. From an egoistic individual he is transformed into a social being conscious of his worth. An individual does not lose his identity by joining a co-operative, nor does he become an inanimate member submerged in a collective. Through the co-operative movement he is made conscious of his worth and becomes aware of his responsibility for the good and welfare of the entire community.

On this account I am confident that co-operatives are the one and only means of raising the economic standard of the peoples of Asia just freed from foreign domination whose countries are popularly referred to as "underdeveloped."

When we study the literature on "underdeveloped countries," there is the general opinion that the low productivity of the individual is responsible for their backwardness. For that reason, consumption is also very small, so that it is hard to say that there is any prosperity.

[3] *La Révolution coopérative* (Paris, 1949).

The cause of all this is lack of capital, inadequate technical knowledge, and a want of "managerial skill."

All that is true. But when means are sought to help these backward countries, an inordinate amount of weight is placed on economic rationalism. People are apt to forget the psychological factors which have a tremendous influence on this matter. The emphasis is on capital aid and technical skill. This view is influenced by one fact in the world of today, namely, that the influence of capital and technical skill on production has resulted in rich countries becoming richer and poor countries becoming poorer. Consequently, global economy is becoming progressively lopsided and unstable. This condition will eventually prove detrimental to the development of the industrialized nations who desire expanded markets and a prosperous world community.

Generally speaking, two methods are advocated for the development of the economy of the underdeveloped peoples. The first method is based upon old classical economic teachings. Capital investment in underdeveloped countries in order to advance their economy can be justified only when the transfer of investments there does not lessen the creation of international income. Besides assisting in the creation of prosperity in the backward countries, those investments should also produce a good return for foreign capital. The best investment of capital should be carried out on the lines of "free enterprise." On the other hand, it is recognized that the system of giving aid in accordance with the

teachings of classical economy will result in failure because of the attitude of the governments of the states concerned which are jealous of their newly won sovereignty and extremely suspicious of foreign capital.

The second method is to give capital aid as a gift, directly from the government of an advanced state to the government of the underdeveloped countries. With such capital and technical assistance which need not be repaid, the government of the country receiving aid can pay for development projects. At a passing glance, such aid would appear to be completely altruistic in nature, because the capital that is given as a gift is obtained from taxes collected from the nationals of the donor country. It is taken from their capital savings which can actually be utilized by them to increase productivity in their own country and thereby enhance the earnings of their nationals. When scrutinized carefully, however, that assistance in the long run causes no loss, but in fact brings gain. With the aid of that capital, the recipient can undertake various development projects, the prosperity of the inhabitants of the country becomes increased, and its buying power is enhanced. The economic progress achieved by this hitherto backward country will eventually be of benefit to global economy. The previous gap between rich and poor countries will be narrowed, and international exchange can be adjusted smoothly, with consequent benefits to both sides. Finally, the gains obtained from the developing prosperity will also appertain to the nationals of the country that made a gift of capital aid.

Indeed, there is a sane economic basis in the idea of giving capital aid and "technical skill" as a gift to underdeveloped countries. As I pointed out before, however, this is a lopsided view. It places too much stress on economic values, which, by themselves, are quite valid, but it overlooks psychological factors that can give effect to those economic factors.

For the purpose of developing the economy of what is called an "underdeveloped country," it is first of all necessary to awaken the productive energy of the population that has hitherto lived under the pressure of an inferiority complex. That can only be realized by the co-operative movement, which, as I had occasion to point out, can achieve a higher living standard through utilization of persons of medium capabilities. It is of course true that large projects, such as the construction of dams and irrigation works and generators of electricity and the like, must be undertaken by the government through use of money partly obtained from abroad in the form of loans or grants. But the building up of small and medium economic projects should be undertaken by the population. And because the strength of a people economically weak can be brought about only through the co-operative movement, co-operatives are a *conditio sine qua non* as a base for the people's economy.

With the utmost awareness we should make the co-operative movement one element in the education of the population. It is a good element for strengthening economy and morality. The co-operative movement can teach economic and moral awareness because it is based

on two principles which mutually strengthen each other. These two principles are *solidarity* and *individuality*, i.e., an appreciation of one's own worth. The co-operative movement is based on those two principles, but these two principles are, in turn, rendered strong by being fertilized by the comradeship ever present in the co-operative movement. It is only in co-operatives that solidarity and individuality can come to flower in conditions of harmonious relationship. By continually keeping alive this solidarity and individuality, the co-operative movement instills in the human breast a feeling of social responsibility.

Solidarity has always existed in the true Asian societies. In Indonesia, for example, the outward sign of this solidarity is the spirit of mutual help, the *gotong rojong*. But solidarity alone cannot prod people into progress. Solidarity alone can preserve social co-operation in such matters as mutual help in the building of homes, but it cannot bring to life economic co-operation for prosperity and for raising the living standard. Economic co-operation calls for individuality as well as solidarity.

Individuality does not come into existence by itself, but has to be made to live in the human soul by means of education and careful nursing. Such nurturing and education, a matter of daily practice in business undertakings, cannot be completed in a short time. On the contrary, it is a long-term process. I should emphasize here that individuality should not be confused with individualism. Individualism is an understanding or a

philosophy of living which places the individual before society, as we find in the economic teachings of Adam Smith. Individuality is the nature of an individual who is conscious of self-respect and has faith in himself. Belief in self produces confidence and a feeling of having the capability to better one's lot through one's own efforts.

The co-operative movement educates the individual to give priority to common interests when he is in pursuit of his own interest; it trains the individual to work for common needs without pressing the individual into becoming purely the instrument of the collectivity. Not only does the co-operative movement *not* give precedence to individual interests, but it does not pursue the interests of a particular group as is the case with combined organizations such as trusts, and cartels. Although it takes the form of a particular grouping, the members of a co-operative society give priority to common interests even while looking after their own interests.

For example, a consumers' co-operative which owns a shop sells not only to its own members but also to nonmembers. The main share of the profits, over and above a small portion distributed among members in ratio to their capital investment, is divided among all those who rendered service to the co-operative in proportion to their purchases. Besides this, a set portion of the profits is kept apart for the education and social needs of the public, such as help given in the construction of a school in the area where the co-operative society is located or assistance in the building of a hospital. Every

co-operative movement, whatever its type, always renders social service.

Among the facets of moral education which a co-operative gives its members, the following can be cited:

(1) The co-operative movement teaches its members to have high ideals grounded in a basis of reality. By holding out the ideals of welfare and the common good, it gathers people to carry out the work it has planned and apportioned.

(2) The co-operative movement instills feelings of democracy on a practical basis calling for personal action whereby matters affecting the running and control of the enterprise are undertaken through agreement arrived at by discussion.

(3) The leading members of a co-operative society are not paid wages, but where necessary are given a small honorarium. By this means the basis is laid for social education to do away with egoism and to bring into being the ideal man who is so badly needed to give leadership to society.

(4) All transactions in a co-operative society are on a cash basis. Because of this, its members are gradually trained to live within their capacity and means. If anyone desires something costly, he will have to save until he has the purchase price at his command. Thereby people are saved from the temptation of installment purchases, which often cause peoples to be plunged in debt for life or forced into the disastrous selling of their crops in advance.

(5) All weights and measures in a co-operative store

must be true. Its members are trained to be honest and to eschew negligence.

(6) The co-operative movement encourages its members to save money at all times and to safeguard their livelihood and the safety of their enterprise.

These are the kinds of ideas being practiced by the co-operatives which train people to be morally strong and pure. The co-operative movement trains the social man with a responsibility to society. Therefore the co-operative movement, which puts an accent on joint welfare, gives the incentive toward the realization of social justice.

The ideals of the co-operative movement can survive only with a training and education which call for patience. Co-operative ideals instilled in the heart should always shine forth as a torch to lead the way toward gradually narrowing the gap between the realities of life and the ideals we yearn for.

III. *The Constructive Qualities of Co-operatives*

AS a nation which has struggled against imperialism and colonialism for many a decade, we have the highest ideals concerning the fundamental principles of life.[1] We want to see our nation live in prosperity and well-being, free from want. This ideal of ours is laid down in the Constitution: "The national economy shall be organized on a co-operative basis." These words of the Constitution are not only a reflection of one of our national ideals, but also an injunction to do our best for its fulfillment. A national economy on a co-operative basis is what we aspire to. But what is the reality? The reality is that we are still far removed from these ideals, that prosperity of the people did not materialize together with our freedom and independence, that co-operatives do not come into being all by themselves, in

[1] From Vice-President Hatta's address on Indonesia's First Co-operatives Day, July 11, 1951.

spite of our ideals. All this requires hard work and sincere effort. The world as it now is does not measure up to our ideals. But ideals we must have, because they lead the way toward the establishment of the prosperity for which we are all striving.

More important than our ideals of future prosperity for the people on a co-operative basis is the insistence of the people to improve their livelihood right now. The "man in the street" cannot live by ideals only, he has not got the patience to wait for the realization of the co-operative community of Indonesia, which can be established only gradually and after a fairly long time. He wants action, of any kind, that makes life less of a burden to him right now. In the present unsatisfactory economic state among the people, it is therefore of the highest importance to find ways and means to improve this situation as much as possible in the shortest possible time. Even if we succeed only partially in improving the standard of living after a short while, every improvement—no matter how small—counts with people who are suffering.

Therefore, a realistic economic policy should be able to make a distinction between long-term and short-term economic policy. Between these two types of economic policy there should be proper co-ordination and relationship. Our long-term economic policy includes all efforts and plans for the gradual establishment of the Indonesian economy on a co-operative basis. Because healthy co-operation is only possible when supported by a co-operation-minded community, our main efforts

should be directed toward kindling and fostering the zeal for the co-operative movement. These efforts will take time and require patience and an unshakable conviction.

We must not content ourselves with waiting for the results of this long-term economic policy, but we must also have a short-term economic policy, the execution of which should be based on the facts as they are. Although the character of such a short-term policy may not quite conform to our ideals for the future, as long as it clearly results in improving the situation of the people and in diminishing the present lack of prosperity, steps should be taken accordingly by those capable of doing so.

Generally speaking, our people suffer from lack of food, lack of clothing, lack of decent housing, lack of daily necessaries, lack of tools, and, it must be admitted, from a lack of several others things as well. All incidental and temporary measures, taken by whomsoever, which alleviate these deficiencies will be welcomed by the people. They should therefore be encouraged! Truly, ideals and their realization are separated by outside influences and inescapable realities. Nothing in this world, however, was ever gained by turning away from difficulties and running away into the realms of idealism, but only by facing these difficulties steadfastly and clearly for the purpose of changing these realities gradually in the desired direction.

The road ahead is difficult and complicated indeed. Nevertheless, we should not be distressed if, alongside

the co-operatives which we really want, we also find commercial enterprises based on private initiative, whether or not under government supervision. The existence of these private enterprises is, as a matter of fact, in harmony with our short-term economic policy. As long as the state and the co-operatives are not yet equipped to manage the national economy, in our community private initiative will fulfill the function of developing the economy and providing a living for many thousands of people of the have-not category. It cannot be denied that at present the great majority of these private enterprises meet the economic requirement of alleviating poverty. In these circumstances it is the duty of the government to protect the people's weak economy against foreign economic oppression and to improve the system of sharing the earnings, the social product, in such a way that a larger share will be diverted to the farmers and the laborers themselves. The government of a fully independent country has the power to change the basis on which earnings are divided, but the extent of this power is limited by economic law. As long as this social power is being administered in full consideration of the laws of economics governing the distribution of earnings, such measures are advantageous to the workers. But when the administration of this social power oversteps the limits set by the laws of economics, both the country and the workers suffer.

In plain words, as long as commercial or industrial enterprises make a profit, after the government has ordained higher wages and minimum wages, they will be

prepared to continue their production. Private enterprises are in business for profit. Even if their profits are being reduced by various government wage regulations and by social legislation, as long as they make a profit they will continue their business. They will endeavor to increase their profits by means of rationalization. If, however, the government regulations combined with the demands made by the workers go beyond a reasonable limit, so that these private enterprises begin to lose money, it would no longer be good economics for them to stay in business, and they would then close down their enterprise. The result would be that the workers would lose their livelihood, that the government would lose the income from taxes, and that the country would suffer a loss in production, which in turn would have an adverse effect on our foreign exchange position.

Whether we like it or not, we must admit the fact that these types of private enterprise, whether being managed by foreigners or by Indonesians, still fulfill an economic function in the present national production of Indonesia. As long as they contribute their positive productive energy and also increase their production, it will not be easy to interfere with their activities without injury to our own national income. A change in their status would be of advantage to our country and people only if a better and more perfect economic organization could be set up.

Alongside these private enterprises which I have just discussed, the co-operatives have to fulfill their obligations by setting good examples worthy of being fol-

lowed. It is only by examples which are worth imitating that the ideals laid down in the Constitution of our country will in the long run be accomplished. It is only by such examples that co-operatives can gain the better of private firms, limited-liability companies, and so forth. Co-operatives should demonstrate and prove their superiority over enterprises whose only objective is to make profits, and in the long run their influence cannot fail to grow larger and larger, and their lofty principles will be followed throughout Indonesia.

What is important now is to prove it in actual practice, because only actual facts will be able to prove whether it is true that co-operatives are really superior to private enterprises. Therefore the supporters of the co-operative movement are charged with the important task and responsibility of keeping the status of the co-operative in the community up to standard, of continuing to try to improve its organization, and to rectify wrong practices.

A great many high-sounding slogans have been spread about; a great many demonstrations have been held. Now that we have become a free and sovereign nation, slogans no longer come first, but rather accomplishments. By our accomplishments we shall demonstrate that we are now a nation capable of deciding our own fate and of taking care of ourselves. If we also want to have a slogan, then let us use as our slogan: "from demonstration to organization." Organization is the source of power. Organizations set up by colonial capitalism can only be opposed successfully only if we or-

ganize ourselves, and that means by organizations in the form of co-operatives.

Twenty-one years ago I first suggested the slogan "from demonstration to organization" to the people, and today I am repeating it. Formerly I proposed this slogan in order to strengthen political organization. Today I am proposing it once more, in order to strengthen the economic organization of the people. This slogan does not represent ideals or demands; it is merely a "working" slogan.

It is true that we are facing shortages in every field. We are in need of capital and of technical assistance by experts from foreign countries. Foreign capital and experts coming here will be to the advantage of our country and our people provided that they come here on our invitation and on our own initiative. Colonialism as a government system is no longer here, since it was overthrown by ourselves. Colonial capitalism, however, is still a powerful economic organization. Its power can be broken only if the economy of the people is organized on a co-operative basis. Fighting against outside influences is not the primary objective of co-operatives, however; rather, it is the enhancing of inner solidarity, the teaching of self-reliance and self-confidence to the people.

One of the remnants of colonialism which is still hampering our progress and which should be stamped out just as soon as possible is our inferiority complex, which so often causes people to give up their economic struggle and merely take recourse in slogans. How often have

I heard people say that we should not accept any foreign loans, just as if the reconstruction of Indonesia can be brought about by two strong arms and a spade only, without the aid of capital and modern tools. People are afraid that we shall again suffer from colonial domination if we borrow foreign capital. All these pronouncements are nothing but the voice of our inferiority complex toward foreigners and foreign capital, a proof of our lack of self-confidence and of our failure to believe that we are capable of maintaining and defending our freedom.

This inferiority complex, which was forced on our people during the centuries of colonial domination, must be completely eradicated by means of co-operative organizations. Co-operation is capable of paring this remnant of colonialism from the soul of our nation, because the following three elements are insolubly welded together in a co-operative: self-confidence, idealism, and an organization supported by all its members.

Society is always facing shortages in its general welfare. This fact gave rise to the science of economics. Welfare shortages can be alleviated only by production. And the fact that there are not enough available means to satisfy mankind's desire for the necessities of life gives rise to the fundamental economic question of how to find ways and means to make the best possible use of the productive potential.

Here in Indonesia we have to deal with enormous deficiencies in our economy, a great part of which are of historical origin. When sovereignty over Indonesia

was handed to us, our country, Indonesia, was in a state of chaos, turmoil, and near-bankruptcy. When we took stock, we found an Indonesia heavily damaged in every respect as a result of war, revolution, and the scorched-earth policy. Large-scale destruction of property and capital goods had taken place, and law and order were being disturbed by roving bands of bandits and marauders as well as by old and new guerillas who had revolutionary aspirations. The treasury was empty. Moreover, during the past five years the national budget has continually shown a deficit. The deficit for the year 1950 is estimated at 1,500 million rupiahs.

Moreover, our people were poor so that it was next to impossible to obtain capital from them to finance the reconstruction of our country. Other countries such as those in western Europe also suffered wholesale destruction during World War II, but their people owned national capital which they could use to get back on their feet. But we? We had no positive reserves for building up the people's economy. True, we had the productive forces of our people, but these were still only potentially there. This is a result of the colonial domination which had brought our people down to the level of "a nation of coolies and a coolie among nations." In 1949 a research analysis of the national income of seventy different nations, prepared by the Statistical Office of the United Nations Department of Economic Affairs, disclosed the fact that our own national income amounted to only about 2,000 million dollars a year, or an average of 25 dollars per person per year. The Indo-

nesian nation belongs to the category of the very poorest nations of the world. In comparison with the national income of the United States of America, which amounts to almost 217,000 million dollars or 1,453 dollars per person per year, there is a glaring difference. Even if we compare ourselves with a less wealthy country such as the Netherlands, we still find that their national income is 5,000 million dollars, or 500 dollars per person per year. The income of the Dutch people per person per year is therefore twenty times as high as that of the Indonesian people. How miserable is the aspect of our people, particularly when one realizes that the soil of our country is among the richest of the world. Our people are living in poverty in the midst of the most abundant natural wealth.

This state of affairs is of course all wrong. But it is this very wrongness that will create confidence among our people in their future prosperity. As long as our people are willing to work, show self-confidence and the ability to use their newly gained freedom for the development of our natural resources, we are bound to become a prosperous nation, both physically and spiritually. Prosperity does not come automatically, even if our country is ever so rich in resources; we have to work for it. But we often see people who don't feel like working, who are lazy rather than tired, who prefer making slogans to actually doing something. Nature gives man economic opportunities, but man has to take the initiative.

We must fully realize the difficulties which are im-

peding the progress of our country and people. The creation of prosperity presupposes the presence of various factors of production in a certain combination: labor, raw materials, capital, and organizing ability are the requisites of such enterprise. As is well known, we are still behind in all these things. We have rich natural resources, but they are still undeveloped with the exception of that part of them which is being operated by foreigners. We have labor, but it is still potential and unorganized. Capital we have not, because our people are poor. We have a great shortage of people with organizing ability. We do not have enough businessmen and industrialists, because we have only just become free, and our people have as yet no experience in the running of a modern enterprise.

In the face of these shortcomings, we are naturally limited in what we can accomplish. We often have the frustrating feeling that "we want to embrace the mountain, but however hard we try, our arms are not long enough." Because of the shortage of capital, several constructive government projects remain merely projects and cannot yet be carried out. Much thought was also given to co-operatives. In 1947 the Committee for Economic Policy considered the possibility of setting up mixed co-operatives, in which foreign capital, Indonesian labor, and the government would participate. Such a co-operative could, for example, run an industrial enterprise. But it turned out that such an organization is not feasible at present. The workers, who are vital to such an enterprise, are still lacking, and it is

difficult to obtain the indispensable capital from those in whose behalf such a co-operative would be set up. Then there is the difficult problem of finding a decent management, because the management of such a co-operative should act with a sense of social awareness, unlike the ordinary businessman. What is impossible today, however, may become possible tomorrow, provided our people have patience and work hard.

At the present time it is the principal job of the Indonesian co-operative movement to fortify and solidify its foundation. Because the principles of co-operation are auto-activity as well as collective responsibility, people's co-operatives must be based on the right combination of the productive factors available in our society. The extent of our efforts is limited by the availability of the more important productive factors in a given combination. For instance, even a great many workers anxious to form a co-operative will have to start on a very small scale if there is no capital. Step by step they will slowly build up their capital by creating yearly reserves, and thereby increase the scope of their enterprise. It is only after having enlarged their co-operative by their own efforts that they will be able to attract outside capital. To co-operatives which have been set up on a solid foundation, government aid will also be forthcoming.

The same principle applies when no one with the ability to manage the affairs of a co-operative is available; then the co-operative cannot grow beyond certain limits. If such a co-operative is begun along modest lines, people with qualities of leadership are bound to emerge from within its circle. Character and leaders' qualities are

inherent in everyday co-operative endeavor. In the words of Alfred Marshall, "Man's character has been molded by his everyday work."

There is no lack of social co-operation in the villages of Indonesia. What is necessary is to introduce an *economic* character into these social structures. Therefore, propaganda and training should go hand in hand to create a strong foundation for co-operative structures. Propaganda and training will broaden the scope of the development of peasant co-operatives, fishermen's co-operatives, industrial co-operatives, agricultural co-operatives, credit co-operatives, handicraft co-operatives, and consumers' co-operatives in the cities, especially among the workers themselves. Peasant co-operatives can develop into village co-operatives, fishermen's co-operatives into deep-sea-fishing co-operatives, handicraft co-operatives into industrial co-operatives, credit co-operatives into co-operative banks.

It is the obligation of co-operatives to increase production, primarily the production of food and of those industrial products which form the necessities of daily life in the homes of our people. We should not only endeavor to increase our arable land, but we should also work the land more intensively. We should do everything in our power to make it no longer necessary to import rice from abroad. We, who live in such a huge and fertile country, ought to be ashamed of ourselves for having to import rice from foreign countries. For the time being, our only excuse for this deplorable situation can be the widespread destruction which recently took place in Indonesia, coupled with a lack of transportation.

It is also the obligation of the co-operatives to improve the quality of what is being produced by the people. Take, for instance, the rubber produced in Djambi and other areas, under the trade name of "slabs." Its quality is so poor that it has to be reprocessed in Singapore before it can be sold in the world market. By a small improvement in Singapore its selling price becomes three times as high. How much is the loss to our own people as a result of this state of affairs? Of course, we ourselves could improve the quality of this rubber to the required standard. If the rubber growers would form co-operatives, they could then build collectively owned "smokehouses." If the raw rubber was "smoked," it would be easy to produce at least fifth-grade sheet rubber, for which there is a ready world market, at a price up to three times that of raw rubber. No individual rubber grower is able to build his own smokehouse; but through co-operatives it will be possible to build as many collectively owned smokehouses as will be required. When the quality of the product is improved, production will become more profitable and the national income will increase.

There are many other popular products whose quality should be improved. As a matter of fact, every single item of our national production should be improved constantly, so as to keep on increasing our national income. Co-operatives based on joint enterprise and joint responsibility will provide the incentive toward better quality.

The third obligation of co-operatives is to improve

the distribution to the people. It is easier for co-operatives, which aim to take care of the collective needs, to arrive at a proper apportionment of goods than for a commercial store, for whenever there is a shortage of certain goods, trades people are apt to start hoarding and selling piecemeal in order to make as much profit as possible.

The fourth obligation of co-operatives is to keep prices reasonable for the people. If all selling is exclusively in the hands of tradespeople, they will take advantage of shortages and try to sell at the highest possible price. That is why we need co-operatives to keep prices within reasonable limits. Co-operatives providing for the daily necessities of life can maintain a proper balance between the interests of the community as a whole and the improvement of conditions for the individual members of the community.

The fifth obligation of co-operatives is to exterminate usury. The village cannot become prosperous unless the pernicious *idjon* system and several other forms of usury are done away with. In several villages, co-operatives have lately fought successfully against the *idjon* system. Therefore the battle against the *idjon* system and other forms of usury in the villages should be intensified.

The sixth obligation of co-operatives is to promote the creation of capital. Because our people have not nearly enough capital for production, it is an absolute necessity for co-operatives to intensify the creation of capital. The best way to accomplish this is by stimulating the willingness to start saving. For this purpose it

will be easier to use the intermediary of co-operatives, because its idealistic members will consider the necessity to save as a moral obligation. And when the members of co-operatives start a savings campaign, many others are bound to follow their example.

The seventh obligation of co-operatives is to maintain rice granaries or to urge the revival of village rice stores in every village. The system of rice storage has to be organized and brought up to date. These rice granaries should become the means of bringing about a permanent balance between production and consumption, and they should also be instrumental in maintaining fixed rice prices. We should see to it that all the harvest surplus will not be sold and that rice prices do not decline. If a supply of rice is kept in the granaries, there will be no difficulties during the *patjeklik* period between harvests. Any surplus of rice over and above what is needed for consumption between harvests should be sold by the co-operatives to the cities or to other areas with a shortage of rice. The co-operatives should also do their utmost to try to provide the village people with other daily necessities of life in exchange for the rice they sell.

So you see that there are jobs to be done by co-operatives by which they can alleviate the present economic distress. This will require much effort, but it simply must be part of our program for the future. We are building up co-operatives in order that co-operatives will build up the prosperity of our people.

IV. *Co-operation—A Bridge toward Economic Democracy*

EVERYWHERE one notices co-operative activity. Suspicion of co-operation, which became prevalent when the Japanese occupied our country, is beginning to disappear.[1] Confidence in co-operation is coming back to life! Areas that used to be unfavorable for co-operatives because of the highly individualistic spirit of the people are now becoming accessible for co-operatives.

A total of only about 7,700 co-operatives with only about 1,180,000 members does not yet signify very much in our Indonesian commonwealth with its more than 60,000 villages, towns, and cities and a total population of nearly 80,000,000. The ideal situation would be for every village to constitute one co-operative body, and for every city to consist of one association of co-

[1] From an address delivered by Vice-President Hatta on July 11, 1953.

operative organizations, demonstrating unity in diversity, *bhinneka tunggal ika*.[2]

Ever since our struggle for independence, I have most emphatically stressed my belief that co-operation is the only way for the poor and economically weak people to improve their living conditions. Time and again I have asserted that co-operatives are the only economic organizations capable of forming a strong foundation for the reconstruction of the sadly ruined national economy. I believe in co-operation because it is based on "self-help" and "auto-activity." Co-operation stimulates a feeling of self-confidence. The spirit of mutual assistance, which is still very much alive in our community, is instrumental in crystalizing the desire for a wholesome economy. It has often given me pleasure to point to the example of Denmark, where co-operation has made such progress that it could aptly be called a "co-operative republic," although this country is really a kingdom. By means of co-operative organization, the people of Denmark have successfully raised themselves from a poor nation to one of the most prosperous nations of the world.

The history of Denmark conclusively proves that the development of that country into a vigorous democracy owes a great deal to its co-operative spirit. Democracy can live and become strong wherever the people have a sense of responsibility. Without a sense of responsibility there can be no democracy, except in name only, in which case it is really anarchy, full of cross-purposes

[2] The Indonesian national motto.

based only on selfish individual or group interests. Throughout the ages history has proved that a democracy which deteriorates into anarchy is bound to become a dictatorship, which at first is welcomed by the people because it restores order after the previous chaos. History has also proved, however, that rare indeed is the dictatorship that remains loyal to its original summons. In the long run it is bound to enjoy its feeling of power; it will then no longer protect the interest of the people, but will look only for the aggrandizement of its own power and glory. The reason for this is that the people cannot show their criticism or disapproval of any of the dictatorship's objectionable measures. It follows from their psychology that dictatorships are quick to take offense. It considers every criticism, regardless of how well meaning, as detrimental to its prestige and high-and-mightiness, which is why it wants to suppress and completely eradicate all criticism. What originally was intended as the means to an end becomes the end itself. Finally the dictatorship is forced to resort to terror in order to maintain its power and to bend everyone who still dares to think freely to its will.

Democracy, on the other hand, welcomes criticism, and in a democracy criticism must be inspired by a feeling of responsibility. This feeling of responsibility is constantly being cultivated by co-operative societies, because they not only protect their own common interests but also arouse in the minds of each of their members a feeling of self-respect as free men. Regardless of the different types of co-operative societies, regard-

less of characteristic variations in different countries, there are five basic principles which have remained unaltered ever since the first co-operative was founded in Rochdale, Great Britain, in 1844.

These five basic principles are:

(1) The co-operative society is governed by its own members. All members participate in the discussions on the welfare of their organization during the periodic meetings. Therefore each member is aware of his responsibility for the progress of the society, and he learns how to make the right decisions without hindering the work of the management. It is truly appropriate to call this the principle of co-operative democracy.

(2) All members have the same voting rights—one man, one vote, irrespective of whether his initial contribution or savings are large or small. There are no "big" or "small" members; they are all equal.

(3) Membership in a co-operative society is open to everyone. Whereas difference of opinion in politics or religion divides people in various parties, co-operatives make for unity. In a co-operative society people of different political opinions work together. In this way co-operation stimulates mutual respect and is the best possible contribution to the development of sportsmanlike qualities, which are vital to the growth of democracy.

Although a co-operative is an association of people—not an association of capital, such as a limited-liability company—its members are free to resign their membership, in accordance with the established regulations. This

sign of respect for human freedom in a voluntary association presupposes that its members are responsible men who will not resign from their association for unimportant reasons. Members who resign continue to be financially responsible to the co-operative for a certain period of time, as laid down in the regulations of the society or in state laws.

(4) Profits are divided among the members in proportion to their value to the society. For example, a member who makes many purchases in his co-operative will get a larger share in the profits than a member who buys only little. This is called the principle of economic democracy in a co-operative society. Interest, if any, on the original savings investment is purely nominal.

(5) A certain part of the profits is earmarked for educational purposes.

The practice of these basic principles may vary in different countries in accordance with the educational standards and outlook on life of their people and also with the extent to which co-operation has progressed in those countries. But these five basic principles—or at least the first four of them—must be adhered to, if a co-operative movement is really to be called co-operative.

Moreover, the regulations of the first co-operative, the Rochdale Equitable Pioneers, also contained the following moral principles:

(1) The sale or display of adulterated goods is not permitted.

(2) All measures and weights must be correct and verified.

(3) Prices must be the same as those on the local market.

(4) All sales are to be on a cash basis only. Credit must not be given, because this would encourage people to make purchases beyond their spending-power.

These precepts taught people to be social and honest and capable of safeguarding themselves against economic temptations. In Indonesian co-operatives credit is possible only in the productive sector of the economy, on the basis of mutual assistance. But this type of credit had not yet become apparent to the Rochdale Equitable Pioneers, who concentrated their efforts on a consumer co-operative.

In Denmark co-operation and democracy have been living hand in hand. Co-operation has intensified the feeling of responsibility in democracy, and in turn this deeply rooted democracy has kindled the healthy development of co-operation in all its aspects.

Let us hear what Henning Ravnholt has to say about the connection between co-operation and democracy in his country:

The education in democracy, which the Danish voluntary co-operative associations have been able to give, is closely bound up with the fact, that the Danish co-operative associations have always been highly *decentralized*. They have been formed on the initiative of the members, and the members have themselves conducted their affairs. Dictation from above has never been a feature of co-operative associations in Denmark. All important decisions are made by

the members through their elected representatives, and the members see to it that they are properly carried out.

People who have actively participated in a popular democratic movement are without doubt the least influenced by ideas and movements which would replace democratic institutions with others that are less free. Free associations, such as co-operatives, create a feeling of responsibility and the conviction that the common man by voluntary co-operation with his fellows can solve even the biggest of problems.

Co-operative societies constitute a most important element in the system of voluntary associations in Denmark. Co-operation in Denmark is a popular movement that has grown up under democracy. In its basic principles of equality and common labor for the common good, it contains much of what is most valuable in the life of the Danish people.[3]

Ravnholt's words can be confirmed by anyone visiting Denmark for a study of the co-operative system and movement in that country.

We are feeling pleased at the advent of the Third Co-operatives Day because of the great progress achieved, but we should also weigh this progress against a comparison between the actual achievements and the ends we have in view. Having constantly achieved quantative progress, we should also turn our thoughts to the matter of *quality*. Are the minds of all our co-operative members already imbued with the co-operative spirit? Are

[3] *The Danish Cooperative Movement* (Copenhagen: Det danske Selskab, 1947), pp. 10–11.

the ideas of co-operation sufficiently being understood by all members?

Just now I gave you a picture of the progress made by the people of Denmark which was inspired by co-operation. It was on purpose that I chose Denmark, because that country has long since set us an example for our co-operative movement, and it is there that one finds co-operative organizations coming closest to the ideals of co-operation. My brief sketch of Denmark also illustrates the great importance of co-operation in strengthening the principles of political democracy. And a healthy political democracy is a *conditio sine qua non* for the achievement of economic democracy.

Even Denmark has not yet reached perfection in its co-operative system. But as for us, we are still very far removed from this perfection. This is why on every Co-operatives Day we must examine ourselves and ask ourselves: "Is the quality of our work getting better year by year, and are we really getting closer to our ideals?" Do not forget to give deep thought to these questions!

When turning our thoughts to co-operation, we should not be satisfied by philosophical reflections, but should look at this subject realistically in order to see what we actually have done—with full cognizance of our own shortcomings, of our deviations from the co-operative standards, of the obstacles which are still separating the real from the ideal situation. Co-operation cannot live without self-education, because co-operation can only exist and be maintained with self-help and self-

confidence. Self-confidence cannot possibly exist without self-education and training.

For this purpose, the co-operative movement in Denmark makes use of what they call "folk high schools." In these folk high schools the members of co-operatives are learning the principles of voluntary association on the basis of self-government and solidarity, as well as receiving the necessary general education. These Danske Folkehöjskole are not high schools, in the ordinary sense of the word, for highly scientific education. This would not be feasible for the majority of ordinary people who are members of co-operatives. The object of these folk high schools is to provide the ordinary people with a moral education, to build their character, to make them conscious of their responsibility as members of the community. What the people cannot learn by brainwork will be taught them by education of the heart. These folk high schools aim to develop human beings who are aware of their citizenship, human beings who are prepared to render their services to the community.

When we think about co-operation, the question may arise whether it would be advisable for our co-operative movement to set up a people's education institute similar to the folk high schools in Denmark. It may be impossible to set up such an institute in Indonesia at present because our co-operative movement is still suffering from a great lack of trained staff. However, why don't we begin at the beginning, by first setting up staff schools? Schools for the education of teachers and supporters for the co-operative movement! Would

our co-operative movement be incapable of establishing such schools? This is inconceivable, when we think of the enthusiasm and living ideals in our co-operative movement in Indonesia.

Co-operation will not grow unless its principles are alive in the heart of the people. The growth and development of these ideals will take time, which may make us impatient. Nevertheless, we must have patience, because co-operation without true supporters is like a plant that will not bloom. I have often reminded you of the fact that it is easier to set up a limited-liability company than a co-operative. All that is required for a company is to put up capital; the leadership of the company can be entrusted to a business manager. In a co-operative all members share the responsibility. The capability to manage a co-operative enterprise is acquired by experience in assuming responsibility during free consultations.

I believe I have made it clear that we do not need high-sounding slogans to achieve the co-operative community we desire, but we do need action, and we must teach ourselves how to act. There is no attitude more contrary to the principles of co-operation than the feeling that everything is perfect. We must create a new world out of entirely insufficient ingredients. On the way toward a co-operative community we still come across a great many imperfections, which is why we should constantly strive for improvement! What we consider satisfactory today may later prove to be unsatisfactory, because the world is constantly changing. Don't let anyone among us pride himself on the results

obtained. When building up co-operation, we should adopt an attitude of humility in analogy with the culture of rice: the riper the rice, the more it bends down.

Whether we will succeed or not will chiefly depend on our own efforts and our ability to do things. Our efforts in that direction are being facilitated by our Constitution. That co-operation is the basis of our national economy no longer requires propaganda and need no longer be defended. The Constitution of the Republic of Indonesia itself stipulates in the first paragraph of article 38 that "the national economy shall be organized on a co-operative basis."

According to the other paragraphs of this article, the state protects and builds up the national economy. Branches of production of importance to the state and vitally affecting the life of the people shall be controlled by the state. Land and water and the natural riches contained therein shall be controlled by the state and used for the maximum prosperity of the people. All this does not mean that the government itself, with all its bureaucratic appurtenances, will go into business. The task to produce and build up can be entrusted to other organizations whose activities will be regulated or controlled by the government. The spirit of Article 38 is to maintain autonomy in the field of enterprise with responsibility to the higher authority of the community as a whole. It is also clear that not only the government has a task to fulfill and an obligation to build up the people's economy, but also the people themselves. This is often forgotten!

Now that we have become free and independent, there is a tendency to request and demand aid rather than display one's own initiative. And those who want to go into business "for the sake of the national reconstruction" want the government to give or loan them capital. And they are not even modest in their demands. Every newcomer wants to start with a capital of millions of rupiahs! The small merchant wants to become a big businessman all at once and demands credit from government banks without any security. He should build up his business from inside by directing his first efforts toward productive activity, but he prefers to be an importer, because this kind of work is an easier and quicker way for him to get rich. The scramble to become importers and the concomitant heavy pressure on the government for the extension of credit under the motto of "aid to national enterprise" [4] do our country quite a lot of harm.

If this is the result of our independence, then our independence is not bringing any improvement to our national economy, but only deterioration. For a long time it has been clear to us that if we want to improve our national economy we must change the principle of export economy into one of production, directed primarily to the production of the goods needed by our own people and our own country. Don't misunderstand

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[4] I.e., the government's granting of credits on unusually easy terms to Indonesians and its favoring them over local Chinese and Europeans in the granting of import licenses.

me. We do not want to set up an autarchy which is contrary to the principles of international co-operation in all fields. What we do want is first of all to stimulate production in such a way as to increase and make into finished articles all the raw materials growing on or found in our soil, and thereby create a new foundation of our national economy. Of course, imports and exports will remain necessary; however, it is not trade which determines the economic strength of Indonesia and the prosperity of the people, but primary production and its various manifestations.

These issues are of vital importance to our nation; they should be kept in mind constantly and thoroughly understood. By directing our efforts to an export economy, we would make the welfare of our people dependent on the economic strength of foreign nations—the more so, because for our most important export goods, such as rubber and tin, we have to deal with a potent "single buyer", the United States of America. It is to be hoped that the crisis which has lowered the prices of our export goods in the world markets since 1951, seriously affecting our economy, has opened our eyes to the great dangers threatening us as long as we adhere to an export economy. This matter is insolubly bound up with the flaring up of emotions, by throwing the blame on others. Mere emotionalism will be no help to our national economy, nor will it deliver our people from poverty. And as long as our country has no production and capital of its own, the nationalizing of

private enterprises will not cause the disappearance of the dark clouds presently surrounding our national economy and the livelihood of our workers.

Fortunately the development of the co-operative movement is beginning to make us thoughtful. Though a co-operative economy may take a long time to spread throughout the nation, the movement opens clear perspectives which become apparent by its periodic progress. In the development of our national economy all levels of production, large, medium, and small, require our attention. All three should gradually be taken up by co-operatives, but we should begin with small productive co-operatives. These, in due time, should form combinations according to type, thereby reaching the medium stage; once this stage is firmly established, they can begin to take up large-scale production. This is not only the best but also the only possible procedure, because co-operatives are based on self-help and self-confidence, and not on charity. Government aid and advice will of course be desirable once they have become running concerns; but they have to begin by standing on their own feet. First of all the basis must be laid by joint efforts. It is only after a co-operative has been firmly established that it may request government aid for its further improvement.

I feel it would be fitting to give you a quotation from Bernard Lavergne as the closing words of my address:

> In his book about "politics" Spinoza points out that human desires have constantly remained the same throughout the ages; however, it is the peculiar characteristic of good laws

and institutions that they are capable of effecting a reconciliation between the common interest and the selfish and evil desires of mankind. Fortunately, the peculiar characteristic of co-operative ideas is that they provide the key to the solution of a problem which everyone had been looking for in vain all this time: the ideals of co-operation succeed in identifying personal interests with the common interest.[5]

[5] *La Révolution coopérative*, p. 368.

V. *How Far Have We Got?*[1]

HOW far have we got in our efforts to build up our country in accordance with the ideals laid down in the Constitution of the Republic of Indonesia? The progress of our co-operative movement during the past four years has been quite satisfactory. By the end of 1953 the number of co-operatives had increased to 8,223; the Department of Co-operation of the Ministry of Economic Affairs could hardly cope with the work of registering all the new co-operatives and examining their articles of association! Co-operative membership has also steadily been on the increase. By the end of 1953 there were almost 1,400,000 members. Savings have also gone up. By the end of 1951 total savings of the co-operatives amounted to 35,000,000 rupiahs; by the end of 1952 they had gone up to 56,000,000 rupiahs; by the end of 1953 they had reached nearly 90,000,000 rupiahs. Reserve capital by the end of 1953 was more than 11,000,000 rupiahs. In this way, the co-operative

[1] From the address made by Vice-President Hatta on July 11, 1954.

movement has succeeded in creating a capital of more than 100,000,000 rupiahs in four years' time.

This gratifying progress has not failed to impress the outside world. This is not the only thing which has added to the appreciation of our co-operative movement abroad! Each foreign observer who comes here to see the organization of our Indonesian co-operatives for himself is amazed by the democratic procedure in our co-operatives, the sincere determination of its members, their loyalty to their organization, and their feeling of responsibility. When examining the books of several credit co-operatives, they were surprised to find hardly any arrears in payment. Credits are repaid when due, unlike the situation in our neighboring countries. Co-operation in Indonesia is often held up as an example.

Furthermore, in only four years' time the co-operative movement of Indonesia has been able to accomplish one of co-operation's most important objectives, i.e., to contribute to co-operative education. In Jogja a co-operative high school has been set up for the primary training of co-operative staff members. The initial expenses of this school were borne by the Indonesian Batik Co-operatives Association. This co-operative high school was founded out of idealism and the desire to improve the management of co-operatives, pending the coming into force of a government measure for co-operative education. It must be frankly admitted that at present this school is still suffering from a shortage of capable and qualified teachers. In the beginning this Co-operative High School, like any other pioneer

enterprise facing initial shortcomings, will not come up to standard, but it is determined gradually to raise its standards. Also, in Djakarta, the Co-operative Education Building is now being constructed on the initiative of the Indonesian Batik Co-operatives Association at a cost of about one million rupiahs, which is quite a large amount of money for education. Would any other economic organization outside the co-operative movement be prepared to do the same thing? This building will be used for various purposes, in particular to give lectures on matters relating to co-operatives, to hold advanced classes for officials of the Department of Co-operation and for co-operative managers desirous of increasing their knowledge of co-operation, and to hold international classes under the auspices of I.L.O. (International Labor Organization), F.A.O. (Food and Agriculture Organization), and I.C.A. (International Co-operative Alliance), all of which are under supervision of the United Nations Organization.

It appears most likely that several regions in Indonesia will vie with one another in setting up co-operative high schools, even though it can now already be foreseen what their greatest handicap will be—the shortage, or rather the nonexistence, of teachers for these schools. Personally, I cannot agree to hasty action in this respect which might be harmful to the co-operative spirit. One really good co-operative high school is better than ten or a dozen of these schools scattered throughout Indonesia of low and poor teaching standards, such as is often the case nowadays with "colleges" and would-be "facul-

ties." Such schools without a solid foundation only harm their students and send out improperly educated young people into our society. The co-operative movement would not derive any benefit from this type of education; on the contrary, it would be harmed by it. It would mean loss of money, loss of spirit, and loss of ideals. At first we shall have to include a number of foreigners in the teaching staff of the co-operative high school. These foreign teachers will also have to be carefully selected. They must not only be experts, but they must also be imbued with a deep sense of humanity and be able to impart the feeling of universal brotherhood to their pupils.

Although we have been independent for nine years, although we have our Constitution with its lofty aims and clear provisions, there are still very few leaders who realize that organizing our national economy on a co-operative basis is our first and foremost task. There are still very few who understand that the precept in article 38 of our Constitution must be carried out, that it was not written to deceive the people or to cover up hypocrisy. The Constitution contains the fundamental principles which have to be carried out or laid down more specifically in our laws, based on these principles. Article 38 is the more important, for it is part of a section entitled "Fundamental Human Rights and Freedom." These directions are a definite instruction which cannot be disregarded.

Lately our political atmosphere has been greatly in-

fluenced by the forthcoming general elections, and many efforts are being made to involve the co-operative movement in political party strife. More than once, party fanatics have persuaded fellow party members to resign from well-established co-operatives in order to set up a new co-operative exclusively for party members. Thus, harmonious unity is turned into strife. Such an attitude is not only deplorably short sighted as to the objectives of co-operation, but also proves that those who harbor it are not yet ripe for democracy. By destroying existing co-operatives, they are also destroying the very foundations of our common prosperity. Competition among co-operatives means the ruin of all of them. This kind of competition is completely at cross purposes with the principles of co-operation. The only one to profit by the ruin of co-operatives is its adversary, capitalist enterprise. The people, who can only become economically strong by means of co-operation, will be the losers.

The collapse of co-operation would also mean the falling away of the basis for our national prosperity. One often hears complaints that the power of capitalist economy is still felt in Indonesia. However, the only organizations which will in the long run be able to equal the power of capitalism, as has been demonstrated in several other countries, are co-operative organizations, which are now being threatened by disruption.

If people of different political opinions cannot work together in co-operatives, it will be useless for us to keep insisting on unity, for the ideal of Indonesian unity

would never be realized, and all Indonesia could do would be to wait for its collapse. Whereas political parties cause a division among people according to ideologies and political convictions, co-operation unites people in protecting the common welfare. A co-operative is the only organization uniting all those who have the same aims and ideas about their own welfare. It does not harbor any conflicting principles. Its principles and policy are those of our state. Co-operation is in complete harmony with the motto of our state, "*bhinneka tunggal ika*," unity in diversity. People with different political opinions can be one in their striving for prosperity.

Co-operation trains people to think in terms of democracy. There will be no democracy without tolerance and respect for other people's ideas and beliefs. Tolerance is a vital prerequisite for democracy. Democracy implies freedom of thought and freedom to express one's opinion. These freedoms are impossible without respect for other people's opinions. A democracy without tolerance, constantly torn by disruption, will ultimately lead to a dictatorship which, in outward appearance, will reunite all disrupted forces.

Breaking up the unity of a co-operative because of political sentiment is a sin against the ideals of our state. A co-operative has no objections if a member of a certain political party wants to pay part or all of his share in the profit of his co-operative to his party. Apart from his initial investment and his regular contributions, he can spend his share in the profit as he likes. This is considered "individual interest" within the framework of

"common interests." The rights of a co-operative, however, cannot be infringed upon by another organization. A co-operative is the joint concern of all its members; therefore it may not be exploited by any party. Political parties are the means by which political aims are realized, each according to its own ideas; they are not an end in themselves. When the means are turned into the end, havoc and disaster are bound to follow!

However loyal a party member may be to his party, he should never allow his co-operative to be made a tool of his party or to be broken up by the forces of separatism. Since co-operatives improve the living conditions of the entire nation and bring prosperity to the people, they must be safeguarded against the foolishness of party fanaticism.

In accordance with the ideas contained in Article 38 of our Constitution, the time may come when a village of farmers or fishermen will form a co-operative unit. Then, after being invaded by all kinds of political ideas, should this village, which had hitherto formed an entity, be split up in as many sections as there are political parties? Certainly not! Because this kind of disruption would destroy unity and paralyze our country. If this is really understood, it will be recognized that this example also applies to co-operatives as organizations for joint enterprise. People may have their own political ideas without interfering with their co-operative or jeopardizing its existence. United, the co-operative will stand, divided it will fall!

Co-operatives do not interfere with the development

of political parties. On the contrary, the fraternal spirit of co-operatives may be considered as an excellent fertilizing agent for the development of parties as carriers of political ideals. In order to create a general understanding of national issues, the political struggle should be conducted in a spirit of amity, not enmity. Severe and biting criticism is useful as a check and corrective and serves to make people realize their responsibility for their actions. Criticism must be sincere and constructive, however, and should not consist only of finding fault. Criticism should be directed at certain activities, but not at individuals. Co-operation, with its system of working together by mutual consultation, can be most helpful in cultivating the right behavior and character essential for political democracy.

In realizing our national ideal, that "the economy shall be organized on a co-operative basis," we should not forget that our state is based on moral principles, which are embodied in the *Pantjasila*, the Five Principles: Divine Omnipotence, humanity, national consciousness, democracy, and social justice.

If we are really civilized and sensible people, our recognition of the Almighty is not a mere formality, but it imposes on us a moral responsibility for all our actions. God cannot be treated with levity. Recognition of God requires us, the Indonesian people, to base our life on truth, justice, honesty, and goodness. It requires us to put into practice those attributes for which we praise God: beneficence, mercy, and justice. Therefore our Constitution, which is based on the principles of the

Pantjasila, should be carried into effect by us in a truthful, just, honest, and good way. A spirit of fraternity should prevail among God's followers. Otherwise, what would be the point of recognizing God? We would only make fools of ourselves by trifling with the meaning and the purpose of this recognition.

The *Pantjasila* is the state philosophy of the Republic of Indonesia. Have we ever fully understood its contents and its purpose? Have we ever asked ourselves what its objects are? These objects are stated concisely and clearly in the Preamble of the Constitution. There we read that our state is based on the recognition of these Five Principles "in order that we may enjoy happiness, prosperity, peace and freedom in our society and the completely sovereign constitutional State of Free Indonesia." As civilized and sensible men, we therefore have a moral obligation to carry out the provision of Article 38 of the Constitution: that the national economy shall be organized on a co-operative basis.

Coming back to the question I raised at the beginning of this speech, "*How far have we got?*" the answer must be: "Though gratifying progress has been made, we are still at the beginning of the road." True, we have come a long way, but the road ahead is much, very much longer.

The greatest progress has so far been made by credit-co-operatives. Very little progress has been made by consumer co-operatives. The progress of production co-operatives may be called fair, but still far from ideal. By the end of 1953 there were 1,237 production co-

operatives throughout Indonesia, specified as follows: 700 agricultural and forestry co-operatives, 93 fisheries co-operatives, 20 cattle-breeding co-operatives, 225 handicraft and industrial co-operatives, 199 production co-operatives that cannot yet be classified.

In the future we shall have to pay more attention to production co-operatives, because our country is first of all a producer of raw material for food and industry. There is an old superstition that an industry cannot be organized and managed as a co-operative, because most of the workers would not be able to form the large capital required; only handicrafts, it is held, can be organized on a co-operative basis. I have refuted this reasoning in a chapter entitled "Can National Industries Be Organized as Co-operatives?" in my book *Beberapa Fasal Ekonomi* [2] (Some Chapters on Economy). It is not necessary for me to repeat my arguments; whoever is interested can read them there. Suffice it for me to state my strong conviction that industries can actually be organized as co-operatives. If it is admitted that handicrafts can be very profitably organized on a co-operative basis, it follows that industry can also live on a co-operative basis. Is it not a historical fact that industry has developed from handicrafts? Handicrafts will gradually develop into industry as more and more capital is being invested in them. In order to speed up the accumulation of capital, limited-liability companies are formed, because wealthy people are more apt to invest their money in this type of enterprise. It is true that in capi-

[2] Jakarta: Balai Pustaka, 1946.

talist countries fairly large industries cannot be organized on a co-operative basis. Generally speaking, a limited-liability company is the most suitable type of organization for industry in those countries. However, one also finds several agricultural industries there which are organized on a co-operative basis, for instance, in Denmark, Sweden, Finland, and also in the Netherlands and Germany. Especially in Western Germany, the matter of *Grossgenossenschaften* (giant co-operatives) has recently become a vital topic of discussion. The questions are being raised: "Will it lose its co-operative form and spirit once it has become a giant enterprise? Will it lose its fraternal ethos and ethics, and is it true that it will be completely dominated by the principles of rationalization and commercialism, the spirit of capitalism?" Exhaustive research by Joseph Back [3] and Georg Draheim [4] on this subject proves that a co-operative will not lose its character when it develops into a large enterprise. It is undeniably true that the present large co-operatives have grown from modest beginnings and that they became large by increasing their capital out of their own profits and by using modern techniques in their enterprises. The growth of these co-operatives actually took place quite harmoniously, because to a great extent it was the result of joint activ-

[3] Joseph Back, *Wo stehen die Genossenschaften heute?* (Zeitschrift für das Gesammte Genossenschaftswesen, Heft 1, Band 4; Gottingen, 1954).

[4] Georg Draheim, *Genossenschaft und Erwerbsunternehmung* (Zeitschrift für das Gesammte Genossenschaftswesen, Heft 2, Band 4; Gottingen, 1954).

ity, each member and every section participating and sharing the responsibility.

While, generally speaking, large-scale industries cannot be organized on a co-operative basis in capitalist countries because the workers who would become the partners in these co-operatives do not own any capital, does this imply that the same thing would also be impossible in the Republic of Indonesia, which abides by the *Pantjasila* and Article 38 of the Constitution? In our case co-operation has even been designated as the *basis* of our national economy.

Beginning on a small and modest scale, co-operatives can gradually become large by savings, by accumulated reserves, and by government aid. Assistance from outside capital will be necessary once the co-operative has become a going concern. Outside capital can be attracted, provided there is a government guarantee. In order to facilitate this support there should be different types of co-operative banks with branches throughout Indonesia. Beside the provincial co-operative banks of a general character which are now beginning to make their appearance, there should be banks of a more specific character, such as a farmers' co-operative bank, a fisherman's co-operative bank, and an industrial co-operative bank. In a capitalist country the organization of such banks is not the government's concern, but in the Republic of Indonesia, which adheres to the principle of co-operation, it is the government's duty to take the initiative.

Government incentives and guidance for the develop-

ment of our national economy must be directed toward co-operation, as required by our Constitution. I have said time and again that we must give up the system of "export economy," which, moreover, is no longer functioning as it used to. Likewise, we must gradually cease to import indiscriminately. Our national production should be activated in such a manner that it can provide our people with the primary necessities of life, such as food, clothing, and building materials for the construction of decent homes. Of course there must also be production for export, but its character ought to be changed. Exports are needed to pay for imports, which should largely consist of capital goods. Our national production should be planned in order to raise the purchasing power of the people, in short, to bring prosperity to the people. The raw materials which our rich and fertile soil so plentifully produces should be converted by ourselves into finished products. All this can become the activating principle in setting up all kinds of industries in the form of production co-operatives.

In Indonesia large-scale industries cannot be set up by the people in the form of limited-liability companies because our community has not got enough capital to support these industries. Large-scale industries in Indonesia can be set up only by the government, with government capital or borrowed capital, or by foreign companies at their own risk. In this respect Article 38 of our Constitution gives the following directions to the government: "Branches of production of importance to the State and which vitally affect the life of the people

shall be controlled by the State. Land and water and the natural riches contained therein shall be controlled by the State and used for the maximum prosperity of the people." Although we all know Article 38 by heart, we are still waiting for its implementation. The fact that the people cannot establish large-scale industries in the form of limited-liability companies does not mean that they cannot establish other types of productive enterprises. It is far better to stress the co-operative form, which contains educational elements, in that it teaches people to rely on themselves and their own organizations. By this I do not mean that the founding of limited-liability companies as the result of private initiative should be restricted. In my radio address on the occasion of the First Co-operatives Day, on July 11, 1951, I explained that the development of these companies, as organizations which increase our total production, is not only inevitable but also necessary. Even so, there is still wide scope for co-operative activities.

VI. Co-operation and Our Economy[1]

THE progress achieved during the last four years is most gratifying. There is a more extensive awareness of what co-operation stands for, even if there is evidence here and there of insufficient technical knowledge. Lack of knowledge can be fairly easily remedied. What gives us cause for gratification is the ever-growing consciousness of the value and the usefulness of co-operation for the improvement of our national economy, which is the economy of all of us.

It is quite possible, however, that this gratification is mixed with depression and worry as a result of all the symptoms of deterioration throughout our national

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[1] Part of an address by Vice-President Hatta on July 11, 1955, entitled "Education by Co-operation." The considerable sections of this speech dealing with education are covered in his speech at Bandung (Chapter II of this book) and have therefore been deleted.

economy. Financially our country has become weaker and weaker. Government expenditures have been increasing year by year because we have had to make up for shortages in many fields and pay for certain projects that could not be delayed. On the other hand, the increase in government receipts has not kept pace with this increase in expenditures. And the ratio between receipts and expenditure will become even worse if we do not work more methodically and if we do not achieve efficiency in our administration, in our production, and in the proper use of the tools we have.

Already we are face to face with several economic and financial difficulties; moreover, our community is being hit by several other crises. A moral crisis has blurred the distinction between good and bad, between legal and illegal, between decency and moral obnoxiousness, between right and wrong. Corruption runs riot through our society; corruption has also infected a great many of our government departments, and unless drastic measures are taken very soon, this evil may become firmly rooted in the organization of our society and our country. Workers and government employees, whose wages and salaries are no longer adequate for their daily needs, are being exploited by enterprising adventurers who want to get rich quickly and are interested only in making as much profit as possible. This is why all businessmen who remain faithful to economic morality are constantly being pushed backward. Bribery and graft have become increasingly common, to the detriment of our community and our country. Each year the govern-

ment loses hundreds of millions of rupiahs in duties and taxes which remain unpaid as a result of fraud and smuggling, both illegal and "legal." The purchase of large quantities of goods abroad has used up our foreign exchange, but somehow these goods do not appear on our markets. There is sufficient production of several kinds of articles for daily use, but somehow these articles do not reach the consumers except in small driblets. As a result, the prices of the daily necessaries of life have gone up enormously—far more than was necessary. We can even export part of our production of rice, sugar, and salt, because we produce more than is needed for local consumption. Yet the people are crying out and suffering because they cannot buy these things. There is a crisis in distribution resulting from faulty organization and decreased morality.

Last but not least, a crisis in authority has lately made its appearance. The army, as an organ of the state, has gone so far as to resist the government's decision concerning the appointment of a new chief of staff.[2] Fundamentally this crisis can be ascribed to psychological reasons. At present we are facing a crisis in democracy which, unless solved wisely, could create anarchy in our society and destroy our country, the cement of whose

[2] The army, maintaining that the cabinet of Ali Sastroamidjojo —and particularly its Minister of Defense, Iwa Kusuma Sumantri— had broken an agreement of a few months earlier to consult with it in making key army appointments, refused to sanction the appointment of a new chief of staff made by the Minister of Defense in late June of 1955, and as a result precipitated the cabinet's collapse.

foundations has not quite hardened yet. I am convinced, however, that we shall be able to overcome this crisis in authority.

There are two ways in which we can exterminate these economic evils, or at least lighten the burden of the people: by a clearly defined government-regulated economy, and by a national organization on co-operative basis. Whether we like it or not, we are living under a regulated economy. The economic system of liberalism, which upheld the principles of *laissez faire*, has already become a thing of the past. Each period in the course of history has its own characteristic qualities which are valuable only for that particular period. What has passed will not come back again.

There was a time when the principle of *laissez faire*, which became the basis for the development of capitalism, brought prosperity to the people of the world. Production was increased, economic activities were started where there was none, new markets were created, isolated areas were given communications, dead economies were brought to life, consumption was increased, and the prosperity of the people went up by leaps and bounds. Capitalism with its *laissez faire* caused the collapse of all that was weak and destroyed backward production techniques, time and again causing crises and unemployment. However, the economic improvements and progress which it had created outweighed the misery resulting from it. During that period it was a constructive element. However, capitalism will run its course, and its historical mission will be over. Its

further development, from free competition into a system of monopoly, is no longer in agreement with its original mission. The destruction it causes has become greater than all the good and improvement it has brought. Therefore its conduct must be placed under supervision, certain restrictions must be imposed on its operations, and its responsibility to society must be laid down in regulations. The principles of completely free action are replaced with normative principles. World capitalism is entering into a transition period that will gradually completely alter its structure and its form.

The type of economy in this transition period can be more or less described as a regulated economy. The actual process of regulation has several inherent difficulties. Also, different countries have different types of regulation, depending on each nation's customs, outlook on life, and stage of economic development. There is, however, one *conditio sine qua non* which applies to all types of economic regulation, and this is that the relevant economic process may not be restricted in one part only and given complete freedom in other parts. If we want the system of regulation to work satisfactorily, we must realize all its implications and face all problems arising from it. For instance, if it becomes necessary to restrict imports on account of foreign-exchange difficulties, it then becomes necessary to put a ceiling on prices. Failure to do so would inevitably lead to higher prices as a result of the shortage of goods. In that case the consumers would be the losers, but the importers and the dealers selling these goods would greatly profit. And if there is

a great shortage of certain necessaries of daily life, then it will be necessary to set up a system of distribution, entrusting those in charge with a legal and moral responsibility. In other words, if imports are restricted, there must be price control and wherever necessary a system of distribution. The close connection of the one with the other should never be overlooked!

Now, when we take a close look at our own economy, we soon discover the inadequacy of our regulations. Because of our precarious foreign exchange position, the importation of several types of goods has been restricted. But there are no regulations for price control and distribution, the result being that prices have gone up, to the detriment of the consumers; the only ones to profit are the importers and the dealers. Because there is no price control and no distribution system, there is no proper balance between the price of the paddy (unharvested rice) which the government buys from the farmers, and the price of textiles which the peasant has to pay on the ordinary market. There should of course be a fixed and proper balance between the prices of paddy and textiles, two of the most important items in the economy of the peasant.

The government's intentions to establish the corresponding regulations have until now remained intentions only because of the shortage of officials capable of carrying out this difficult task. Nevertheless, something should be done about it! This is the duty of the state to the community. The only ones to profit from the nonexistence of these regulations are several different types of

profiteers, often masquerading as "national" business-men. According to the spirit of our Constitution, which contains not a few elements of liberalism, national economy does not mean the enriching of one small group of economically active people, but the raising of the standard of living of all the people and the spreading of prosperity among the people. The truth of this statement is often forgotten in practice, even by those who are always proclaiming in theory that they are adherents of socialism or *marhaenism*.[3]

It would be well for us to look deeply into our own minds from time to time for a thorough self-inspection in order to find out whether we are not straying from the right path—to see whether we are conforming to our ideals, to see whether the things we say are in keeping with the things we do. Let us try to return to a non-material world from time to time and reflect deeply on what we see there! In the daily struggle in the material world, in the pursuit of personal interests, and even more so when driven by political considerations, people—either deliberately or unintentionally—are often deviating from the ideals they profess to uphold. This is where decay sets in—moral decay, economic decay, national decay.

If we are honest with ourselves as civilized human beings, we ought to find inspiration for the strengthening of our character in the *Pantjasila*, the basic principles

[3] *Marhaenism*—"proletarianism," a concept embodied in the political philosophies of both President Soekarno and the Indonesian Nationalist party.

of our state. What is the use of our recognizing the Divine Omnipotence, if we are not prepared to conduct our daily lives in accordance with all the attributes for which we praise God, such as sincerity, justice, honesty, goodness, and so forth? Even if it may be difficult to practice all this in daily life, we can do our best to teach ourselves and those around us to cherish these qualities. It is true that not everybody will be able to put in practice what he professes to believe, but those who are really sincere will in the long run, because of mental training, be able to bring their daily lives into harmony with their heart's desire. What is needed is that there actually be the desire to act in accordance with the praiseworthy principles of the *Pantjasila*—love of God, devotion to humanity, readiness to raise the standing of the nation, protection of democracy, and willingness to fight for social justice! When individuals find this self-training difficult without guidance, organizations for the educating of their members in these objectives will be found very helpful. This is the advantage of leaders who will point out the way and explain the various difficulties to the participants in these organizations. Very much indeed can be accomplished by training, even if not perfection. By putting the principles and the attributes of the *Pantjasila* into practice, we can contribute to the disappearance of fraudulence and corruption from our community. And with the aid, moreover, of *gotong rojong* (mutual assistance) organizations in all human activities, we shall be able to get rid of these evils altogether. For our nation is basically a nation of decent,

civilized people aware of the distinction between good and bad, whose way of life is guided by high values.

In this respect, co-operation is a valuable element in the process of restoring the proper values in our daily life. Co-operation, as we understand it, provides an excellent education for the putting into practice of the basic principles of the *Pantjasila*. Ever since the very inception of the co-operative movement it has been influenced by religious ideas. It is this religious feeling which has given rise to the feeling of humanity and fraternity—vital elements of co-operation. The co-operative movement not only urges people to work together in a fraternal spirit for their own common interests, but it also teaches people to have tolerance, patience, and mutual appreciation of one another's religion and beliefs. This feeling of friendship and tolerance, moreover, constitutes a solid basis for the creation of national feeling, and it is bound to develop into a strong foundation for the building of a national state. Because democracy can live and grow only with tolerance, co-operation is the best teacher of the spirit of democracy.

In our present economic difficulties only co-operation can bring a measure of relief—particularly to the workers and government employees, whose wages and salaries are no longer sufficient to pay for the daily necessities of life which have been continuously going up in price. Raising wages and salaries alone will not bring relief, because this would only increase the amount of money in circulation, which is already far too high; this in turn

would only result in raising prices still higher, a vicious circle that does nobody any good. At present our economic psychology is such that even a small increase of the amount of money in circulation immediately has an effect beyond all proportions on the price level. By means of co-operatives our workers and government employees can do their buying collectively. By organized buying through the intermediary of their co-operatives, they will achieve a stronger market position against the dealers who are demanding unreasonable prices. Because great quantities are bought at the same time, collective buying not only lowers the price of each item, but it also makes it possible to buy directly from the producer. Co-operatives can buy rice directly from the peasants or from peasants' co-operatives, and they can buy industrial goods directly from the factory. The government and its organs should be prepared to facilitate this. Direct buying by consumer co-operatives with their millions of members would eliminate the need for middlemen, who would then be forced to reduce prices to the minimum margin of profit. In that way co-operation can contribute to the lowering of prices, which is another proof of its beneficial influence on the community as a whole.

Once our community has organized itself in various types of well-run co-operatives, we stand a far better chance of achieving a well-regulated economy, based on co-ordinated auto-activity, with a minimum of the bureaucracy which is so often inherent in government regulations.

VII. The Co-operatives and Reconstruction and Development[1]

WITH the opening tomorrow of the 1956 Savings Week, every supporter of co-operatives in Indonesia will feel a glow of satisfaction at the evidence of the progress our movement has made during the last five years. Whereas the First Co-operatives Day brought savings amounting to about 538,000 rupiahs, the Fifth Co-operatives Day, celebrated last year, brought savings of more than 12,500,000 rupiahs, a twenty-four-fold increase. I am confident that you are resolved to achieve a still higher figure in the 1956 Savings Week. Membership in co-operatives has also shown a very considerable increase. In 1951 there were 5,770 co-operatives with a total membership of about one million. At the end of 1955 the number of co-operatives had grown to 11,400, their membership to approximately 2,000,000, their total

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[1] From the address by Vice-President Hatta on July 11, 1956, Indonesia's Sixth Co-operatives Day.

capital to more than 300,000,000 rupiahs,[2] and their reserves to almost 46,000,000 rupiahs. There is every reason for pride in such an achievement attained in only a short period, and again every reason for pride in this evidence of the continually wider participation in co-operatives, the more so because these results have been accomplished by the efforts of the co-operative movement itself. But that is not all. There are increasingly strong feelings of self-confidence, solidarity, and loyalty. There are virtually no outstanding debts.

As a result, the co-operative movement in Indonesia has won high esteem. It is of interest to quote the statement made to me recently by a foreign observer. "I am astonished," he said, "at the achievements of the co-operatives in Indonesia, for the progress that has been made is due entirely to the co-operative movement itself without assistance from the government. I have been deeply impressed by the enthusiasm and the sense of democracy displayed by the members." This observer described to me his visit to a co-operative meeting in a village in West Java. Many of the members, he pointed out, asked questions regarding the yearly report which were answered with the fullest confidence by the management. There was, the observer stressed, a genuine democracy in the Indonesian co-operatives, as evidenced by the consultation between the management and the membership and by the desire to share in responsibility. These characteristics, he added, constituted the basis of

[2] By September 30, 1956, total capital had reached 312,809,692 rupiahs.

economic democracy. The various activities and developments remarked on by visitors from abroad enhance the reputation of the Indonesian co-operatives. The prestige which the Indonesian co-operative movement enjoys overseas will bring an increasing number of foreign observers to our shores, and these visits will place additional responsibility on our organization, since a visitor confronted with any shortcoming, exception as this may be to the general standard, will receive an unfavorable impression that may well influence his final assessment. Consequently, our co-operative movement must maintain a constant vigilance, striving always toward improvement and never hesitating to remove any internal negative influences. Any member found to be carrying out fraudulent practices must be expelled, and any executive found to be unreliable in the performance of his duties must be removed from office without delay, although he must be given the opportunity to defend himself against any charges of impropriety. The exercise of control by the memberships, constant striving by the managements for improvement, consultation between managements and memberships, and the provision of education and instruction are all prerequisites for the safeguarding of the prestige of the Indonesian co-operative movement.

The progress made in the space of only a few years gives us every reason for a feeling of pride. Although only a few of the numerous co-operatives have acquired the status of legally recognized bodies, the incidence of breaches of confidence which could not be made the

object of court proceedings has been negligible. This indicates clearly that our co-operative movement is thoroughly imbued with a consciousness of ethical standards. At the same time, the standard of efficiency and knowledge of administration is certainly not high. Few complaints can be made of any dishonesty, however, and any existing inefficiency or incompetence can be met by experience and training. Dishonesty would, by contrast, be far more difficult to combat.

Obviously, then, the strict maintenance of the highest standards of honesty must be one of the principal aims of the co-operative movement. Similarly the members must be constantly inspired with the ideals which are the guiding principles of the co-operatives, for in this way the realization of the need for honesty is reinforced. Members who are inclined toward dishonesty and are without feelings of solidarity will gradually drift away from the co-operative because they will develop an antipathy to the spirit of family unity that must characterize each entity of our movement. Just as the dropping out of such members is no loss, neither is there any misfortune in the withdrawal of a coterie which has decided to set up a private company or some other sort of private enterprise. Those who think in terms of private companies are beset with an individualistic outlook, and it is far better that such groups should quit the co-operative than that the co-operative should be used for objectives that do not conform to the ideals of the movement. Those who are faithful to these ideals

will remain in the co-operative undeterred by the difficulties that are encountered from time to time. The road toward the fulfillment of ideals is never smooth or easy, and giving reality to the lofty ideals set down in our Constitution will be particularly difficult. Our aims are to be achieved only by struggle, and the struggle must be waged resolutely and with the conviction of victory. "Struggle," the Greek philosopher Heraclitus taught, "is the begetter of all things, the lord of all." Thus, in order to give practical effect to the provision in our Constitution stipulating that the economic structure will be established as a joint endeavor based on the principles of common good, that is, based on the principles followed by the co-operative movement, we must carry on a struggle in which we must be sustained by a purity of heart. This quality is simply unswerving devotion to the ideals of the co-operative movement, a devotion untarnished by a hatred of conceptions which differ from our own.

It is also true that with the growth of the co-operative movement there is a continually wider diffusion of the spirit and the ideals of the movement, for it is in organizational practice that ideals are transformed into tangible results. The more effective the organization of co-operatives, the more confidence there will be in the realization of the ideals of the co-operative movement. The ideals of the co-operative movement give rise to the organization of co-operatives, and the development of the organization of co-operatives in turn disseminates

the ideals of the co-operative movement. Thus it can be said that the ideals of the co-operative movement and its organizational development are reciprocal stimuli, and on this account the co-operative movement is continually faced with the two tasks of inculcating an understanding of the ideals and of improving the organizational pattern of the co-operatives. These two tasks must be carried out concurrently, for the neglect of the one will inevitably create obstacles hindering the fulfillment of the other.

When we turn from a review of the past to a consideration of the future, our feeling of satisfaction in our achievements gives way to a realization of the vast responsibility that is ours. It is seen that the success already registered is small in scope when compared with the demands of the future. It is all too evident that the tasks before us are far more arduous than those we have already fulfilled. Not only must all existing shortcomings be eliminated, but new fields of endeavor must be entered into. The pattern of organization must be brought into conformity with the progress made, and the scope of activity must be widened so that the co-operative movement will play an increasingly decisive role in bringing prosperity to the people.

At present we are still far from realizing the objectives laid down in our Constitution. Unfortunately, I cannot say that these fundamental provisions, in particular Article 38, have yet been given an adequate recognition by our leaders. This situation prevails be-

cause, although other articles of our Constitution, such as Paragraph 3, Article 26,[3] also express an anticapitalist standpoint, there is an ever-widening penetration of the idea of *national capitalism* within the ranks of the influential political parties in Indonesia. After the popular movement had achieved the goal of Indonesian independence and sovereignty, these various parties were joined by self-seeking elements whose aims had nothing in common with the party programs. Apparently the party leaders have not, in this still transitional stage, sufficient authority to check this damaging trend.

Be that as it may, there is no reason whatever for the co-operative movement to deviate, even momentarily, from the directives laid down in our Constitution. The ideological and organizational level of our movement is, admittedly, far from perfect; and thus we must constantly strive toward improvement, maintaining a firm unity, unshakable confidence, and untiring patience. However difficult, the course, once begun, must be followed until the co-operative movement is victorious, until every sphere of the economic activities of the people has been made to flourish through co-operatives. It must be understood at all times that it is the co-operative movement itself which must unceasingly take the initiative for strengthening and for expanding the foundations of the movement among the people.

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[3] This states: "The right to property is a social function"; i.e., those who hold property must use it in a way which is harmonious with the needs of society.

Analyzing the fundamental principles of our Constitution, we can see that the development of our national economy must necessarily be brought about by two lines of action. Firstly, large-scale development projects should be undertaken by the government or entrusted to authorized bodies which will operate under government authority and under government supervision. Such undertakings will be carried out with the object of ensuring that our economy functions to the greatest possible extent for the well-being of the people. Secondly, small and minor development projects should be carried out by the people on a co-operative basis. Co-operative undertakings can gradually assume a growing importance and become extensive in scope, developing from the stage of handicrafts to the stage of industrialization. Between the sphere of activities of co-operative undertakings, on the one hand, and the sphere of government-directed activities, on the other hand, there still remains, for the time being, a wide field for private enterprise, for individual concerns and the various categories of larger commercial organizations.

Adopting a realistic approach free of any prejudices of dogma, we see that the functioning of private enterprise is not to be avoided. For, whether it is desired or not, those activities not undertaken by the government or by the co-operative movement in this period of reconstruction and development are left to be taken up by private concerns. Not only did our national revolution implant in the minds of the people the concept of collectivism, it also stimulated the outlook of economic

individualism. This is, of course, understandable. After the achievement of independence, after the fetters of colonial domination had been broken, the urge to "self-determination" spread through every sphere of activity. Complete liberty was desired in politics, in trade and commerce, in social affairs. The protagonists of economic individualism came forward bearing aloft the banner of "national economy." The "newcomers" rushed to demand a role in the country's economic evolution.

Because the majority of those making claims to a participation in the development of our economy did not have sufficient capital for the aims envisaged they applied to the government banks for credits. The question then arises of whether, in those instances where the greater part of the capital must be furnished from government sources, the enterprises so established should not preferably become so-called "mixed" concerns, jointly owned by the state and private investors.

In the future, as there are set up more and more state enterprises, founded on sound commercial principles and providing equitable working conditions and social security for the employees, and as the co-operative movement develops, the scope available to private enterprise will accordingly diminish, finally to disappear entirely. This ultimate development should not be brought about by draconic government regulations dogmatically formulated, but rather as a result of the predominance acquired by state and co-operative undertakings. It now depends on the co-operative movement to achieve for itself a lead over private enterprise. Our Constitution

furnishes us with a moral, juridical, and social directive; and it remains only for us to orient our abilities and our energy toward the achievement of our objectives.

The advantages favoring private enterprise are initially preponderant, notably as regards technical and administrative knowledge, financial resources, facilities for prompt action and for displaying initiative. Nevertheless, there exists an inherent social tendency toward the transformation of large private enterprises into enterprises controlled by the people as a whole. This tendency arises within the enterprise itself which comes to take on a social character. There is no longer any acceptance of the contention that the fate of any society should be determined entirely by a small group of leaders. Such a view is completely at variance with the fundamental principles of democracy. The point becomes all the more evident when those in charge of any enterprise are responsible to others *outside* the enterprise but not to those *within* the enterprise. Control from outside is exercised by the shareholders who, although they are the legal proprietors by virtue of owning shares, have only a rather loose and provisional connection with the enterprise. The connection is loose because there is virtually no direct contact between the shareholders and the enterprise, and because the main concern of the shareholders is directed merely toward the annual distribution of profits. The connection is provisional because if the shares are sold the relationship with the enterprise is completely severed.

Moreover, the position of those employed in the pri-

vate enterprise—both the management and the workers —is entirely different. The personnel of the enterprise, whose livelihood is at stake, toil daily to keep the concern operating. Any large enterprise comprises a diversity of divisions and departments, each integrally interrelated with the other, employing a staff of many thousands. A large enterprise is, in fact, a community; and it gradually comes to be felt that the exercise of dominating authority from outside by the shareholders is no longer desirable. Similarly, a private concern with shareholders is an embodiment of class antagonism, of the clash of interests between the nonworking proprietors who receive the profits and the workers who receive only wages. The introduction of measures providing social welfare and security of employment, the holding of consultations between the management and the workers of a factory, and the holding of negotiations from time to time between organizations of employers and trade unions on wage rates can temporarily lessen class antagonism, but the clash of interests is never wholly removed. The workers will make growing demands for participation in the control of the enterprise and will finally arrive at the point of proposing complete ownership by the workers themselves. In this connection there can also arise a conflict between the trends of socialism and syndicalism, a matter which is a problem for the workers themselves.

In a co-operative enterprise there cannot exist any clash of class interests, simply because the members of a co-operative are proprietors and workers at the same

time, each sharing the responsibility for the functioning of the concern. It is only in those cases where co-operatives are imperfectly organized and administered, beset still with the difficulties of the first stages of development and still preserving some degree of an owner-employee relationship, that there are to be found elements of class antagonism. For that reason I repeatedly emphasize the need for prompt corrective action wherever such conditions exist. Every participant in the operation of a co-operative should become a member of that co-operative. Naturally, it frequently happens that some will, on grounds of not being prepared to deal with difficulties or to share risks and responsibilities, prefer to work in co-operative enterprises as employees rather than become members. There can be no thought of compulsion in such cases, for a co-operative is essentially a voluntary association. The question is indeed delicate. With advice and with educational propaganda, however, it is possible to achieve gradually the aim of having all those participating in the work of co-operatives join the co-operative movement as members. Patience is needed, but we must never relax in our striving toward our ultimate objective of a classless society.

For the co-operative movement one of the major difficulties is the lack of initial capital for the setting up of new enterprises. Invariably co-operatives are launched by those who are generally without financial resources. Consequently the development of the co-operative movement in Indonesia began with the establishment of

credit co-operatives with emphasis on savings, the making of loans being a secondary consideration. Gradually capital could be accumulated which finally would amount to a considerable sum, as has been seen in our experience with the building up of co-operatives in Indonesia. The credit co-operative constitutes a basis from which other co-operative enterprises can be launched; for as soon as a sizable reserve of capital has been accumulated other activities can be taken up on a similar basis of mutual help. Thus it will be possible to set up an increasing number of co-operatives covering farming, fishing, cattle breeding, estate cultivation, handicrafts, trades, village stores, transport, and other fields. This trend can be progressively reinforced so that the initially small enterprises evolve to the status of industrial undertakings. The progress of the *batik* co-operatives, which developed from a handicraft stage to the operation of factories, demonstrates clearly that it is possible in Indonesia to develop industries in the form of co-operatives. The subsequent development of the co-operative village stores and retail shops—which are as yet in the initial stages—will provide a sound basis for the emergence of comprehensive consumers' co-operatives. Similarly, the co-operative movement can gradually secure a predominant position in the import and export trade by pursuing a policy based on specialization, coordinating production to the domestic and overseas markets. Before such projects can be embarked on, extensive capital and considerable technical and administrative knowledge are required. But the desirability of

this extension of activity is obvious, for the co-operative movement operates not for the sake of profits but to render service to its members and to society as a whole.

I pray that God will give His divine guidance to our movement, leading us along the path of righteousness.

Statistical Appendix and Index

Table 1. Co-operatives in Indonesia, 1927–1956: Total number of societies, members, amount of savings, and reserve capital.*

Year	Number of co-op societies	Total Membership	Total amount of savings capital	Reserve capital †
1927	1	For several years following the enactment of the co-operative law there was no special government branch responsible for the supervision and promoting of co-operatives, and thus few reliable figures are available for this period.		
1928	22			
1929	43			
			Florins ‡	*Florins*
1930	89	7,848	101,296	96,650
1931	133	13,725	194,578	110,211
1932	172	14,035	264,184	120,734
1933	233	18,307	317,613	121,766
1934	263	18,663	375,557	130,238
1935	299	19,064	306,317	158,644
1936	324	20,243	302,399	108,565
1937	410	28,697	570,182	180,091
1938	540	40,237	633,082	188,671
1939	574	52,216	850,671	351,544
1940	639	During and shortly before the Japanese occupation, as a consequence of war conditions, the operation of co-operatives was disrupted, and exact figures concerning their finances are not available.		
1941	712			
1942	728			

1947	2,160	Figures for the period of the Indonesian revolution are not available.		
1948				
1949				
			Rupiahs §	*Rupiahs*
1950	1,155	85,000	4,500,000	
1951	5,770	1,000,324	35,313,040	3,473,983
1952	7,667	1,179,422	56,389,371	3,262,183
1953	8,626	1,431,977	91,000,000	11,000,000
1954	9,614	1,652,369	146,144,579	27,452,315
1955	11,446	1,938,074	268,597,935	45,221,279
1956 (Sept. 30)	12,090	1,984,189	312,809,692	||

* Figures compiled by the editor on the basis of data made available to him by the Djawatan Kooperasi.

† Of the net surplus from each financial year's operation at least one-fourth is supposed to go into the reserve, until the limit indicated in the Articles of Association has been reached; from that time onward payment to the reserve may be limited to what is necessary for maintaining the required level of reserves.

‡ Value of the florin (guilder) during most of the prewar period was approximately $U.S. 0.55.

§ Official value of the rupiah during the period 1952–1956 was $U.S. 0.088, while the free market rate varied between one-half and one-third of this.

|| Figure not yet available.

Note: Not included in these and the following tables are statistics relating to co-operatives in the Riau Islands, which, because of their proximity to Singapore, use the Straits dollar as their currency. There are only a few of these, however, and even in September 1956 their total savings capital amounted to only $Sts. 26,639.

Table 2. Types, number, and membership of Indonesian co-operatives, December 31, 1955.*

No.	Types of co-operatives	Number of co-operatives	Number of members		
			Male	Female	Total members
I	Associations of co-operative centrals (*Induk/Gabungan Pusat Kooperasi*)	2	46	—	46
II	Co-operative centrals (*Pusat Kooperasi*)	141	6,651	—	6,651
TOTAL (I + II)		143	6,697	—	6,697
III	Multipurpose village co-operatives (*Kooperasi Desa*)	3,873	767,687	203,823	971,510
IV	Credit co-operatives—monetary credit (*Kooperasi Simpan Pindjam*)	4,319	452,950	132,495	585,445

V	Credit co-operatives—credit in kind (*Kooperasi Lumbung*)	642	59,524	13,023	72,547
VI	Production co-operatives (*Kooperasi Produksi*)	1,344	104,856	27,467	132,323
VII	Consumption co-operatives (*Kooperasi Konsumsi*)	821	101,102	15,641	116,743
VIII	Other types (*Kooperasi Lain-lain*)	304	40,933	11,876	52,809
TOTAL PRIMARY CO-OPERATIVES (III–VIII)		11,303	1,527,052	404,325	1,931,377
OVER-ALL TOTAL		11,446	1,533,749	404,325	1,938,074

* As compiled by the Indonesian Co-operative Service, July 1956.

Table 3. Co-operative members' savings in rupiahs and kilograms of unhusked rice, December 31, 1955.

		Initial (*pokok*)	Compulsory-periodic (*wadjib*)	Total *pokok* and *wadjib*	Voluntary (*manasuka*)
I*	Rp.	128,900.—	459,355.30	588,255.30	88,900.48
II	Rp.	3,221,533.46	21,190,735.43	24,412,268.89	11,386,373.93
	Kg.	500.—	1,000.—	1,500.—	—
TOTAL (I + II)	Rp.	3,350,433.46	21,650,090.73	25,000,524.19	11,475,274.41
	Kg.	500.—	1,000.—	1,500.—	—
III	Rp.	11,856,416.06	21,814,166.53	33,670,582.59	6,337,576.15
	Kg.	1,550,560.15	1,410,020.40	2,960,580.55	185,370.90
IV	Rp.	18,119,266.—	46,443,525.01	64,562,791.01	8,221,877.56
	Kg.	109,615.—	51,610.30	161,225.30	5,402.70

V	Rp.	408,543.43	221,283.57	629,827.—	59,976.98
	Kg.	1,554,079.64	130,287.50	1,684,367.14	35,286.—
VI	Rp.	15,487,749.17	60,198,976.51	75,686,725.68	7,947,415.41
	Kg.	4,975.—	4,350.—	9,325.—	60.—
VII	Rp.	5,383,487.34	2,408,032.86	7,791,520.20	1,404,299.06
	Kg.	—	2,913.25	2,913.25	—
VIII	Rp.	2,351,655.50	2,270,096.10	4,621,761.60	1,118,850.07
	Kg.	—	7,266.50	7,266.50	—
TOTAL	Rp.	53,607,127.50	133,356,080.58	186,963,208.08	25,089,995.23
(III–VIII)	Kg.	3,219,229.79	1,606,447.95	4,825,677.74	226,119.—
OVER-ALL	Rp.	56,957,560.96	155,006,171.31	211,963,732.27	36,565,269.64
TOTAL	Kg.	3,219,729.79	1,607,447.95	4,827,177.74	226,119.60

* Roman numerals in left-hand margin refer to the types of co-operatives listed in Table 2.

[Table 3 continues on pp. 114–115.]

Table 3. (cont.).

		Special purpose (*lain-lain*)		Total	Total of all
		Member (*anggota*)	Nonmember (*bukan anggota*)	members and nonmembers	categories of savings
I*	Rp.	608,000.—	—	608,000.—	1,285,155.78
II	Rp.	1,077,082.75	504,429.61	1,581,512.36	37,380,155.22
	Kg.	—	—	—	1,500.—
TOTAL	Rp.	1,685,082.75	504,429.61	2,189,512.36	38,665,310.96
(I + II)	Kg.	—	—	—	1,500.—
III	Rp.	1,841,833.05	556,199.63	2,398,032.68	42,406,191.42
	Kg.	183,580.05	29,090.50	212,670.55	3,358,622.—
IV	Rp.	2,463,963.94	564,736.94	3,028,700.88	75,813,369.45
	Kg.	15,379.—	—	15,379.—	4,286.11

V	Rp.	35,387.90	12,735.03	48,122.93	737,926.91
	Kg.	101,942.—	6,314.—	108,256.—	1,827,909.14
VI	Rp.	8,566,603.12	2,870,867.11	11,437,470.23	95,071,611.32
	Kg.	1,100.—	—	1,100.—	10,485.—
VII	Rp.	346,272.39	20,646.81	366,919.20	9,562,738.46
	Kg.	—	—	—	2,913.25
VIII	Rp.	553,090.48	47,085.09	600,175.57	6,340,787.24
	Kg.	—	—	—	7,266.50
TOTAL	Rp.	13,807,150.88	4,072,270.61	17,879,421.49	229,932,624.80
(III–VIII)	Kg.	302,001.05	35,404.50	337,405.55	5,389,202.89
OVER-ALL	Rp.	15,492,233.63	4,576,700.22	20,068,933.85	268,597,935.76
TOTAL	Kg.	302,001.05	35,404.50	337,405.55	5,390,702.89

* Roman numerals in left-hand margin refer to the types of co-operatives listed in Table 2.

Table 4. Statistics by provinces, December 31, 1955.

Province	Number of co-operatives	Number of members			Total savings in all categories
		Male	Female	Total male and female	
Djakarta-Raya (Greater Djakarta)	116	21,330	2,683	24,013	Rp. 34,384,064.36 Kg. —
Djawa-Barat (West Java)	2,481	499,655	117,289	617,289	Rp. 83,403,809.16 Kg. 1,573,853.45
Djawa-Tengah (Central Java)	2,342	320,619	95,961	416,580	Rp. 68,236,854.66 Kg. 1,691,846.25
Djawa-Timur (East Java)	2,845	371,512	130,793	502,305	Rp. 28,115,885.80 Kg. 1,820,167.79
Sumatera-Selatan (South Sumatra)	314	30,563	2,904	33,467	Rp. 7,352,367.83 Kg. 2,626.—

Sumatera-Tengah					Rp.	11,501,160.83
(Central Sumatra)	874	45,816	18,417	64,233	Kg.	171,611.80
Sumatera-Utara					Rp.	11,429,585.11
(North Sumatra)	642	46,035	4,922	50,957	Kg.	23,830.90
Kalimantan					Rp.	5,754,636.89
(Borneo)	502	32,454	4,284	36,738	Kg.	12,995.—
Sulawesi					Rp.	14,175,755.18
(Celebes)	974	119,003	22,797	141,800	Kg.	—
Nusa-Tenggara					Rp.	2,313,695.36
(Lesser Sundas)	158	36,482	1,508	37,990	Kg.	93,771.70
Maluku					Rp.	1,950,122.58
(Moluccas)	198	10,280	2,422	12,702	Kg.	—
TOTAL	11,446	1,533,749	404,325	1,938,074	Rp.	268,597,935.76
					Kg.	5,390,702.89

Table 5. Reserve funds of Indonesian co-operatives, in rupiahs and kilograms of unhusked rice, December 31, 1955.

I	Associations of co-operative centrals (*Induk/Gabungan Pusat Kooperasi*)	Rp. Kg.	9,595.93 —
II	Co-operative centrals (*Pusat Kooperasi*)	Rp. Kg.	16,745,974.93 —
TOTAL (I + II)		Rp. Kg.	16,755,570.86 —
III	Multipurpose village co-operatives (*Kooperasi Desa*)	Rp. Kg.	4,705,709.33 338,724.50
IV	Credit co-operatives—monetary credit (*Kooperasi Simpan Pindjam*)	Rp. Kg.	7,285,521.43 6,665.—
V	Credit co-operatives—credit in kind (*Kooperasi Lumbung*)	Rp. Kg.	152,319.62 77,029.—
VI	Production co-operatives (*Kooperasi Produksi*)	Rp. Kg.	14,722,371.16 266.60
VII	Consumption co-operatives (*Kooperasi Konsumsi*)	Rp. Kg.	1,094,395.50 —
VIII	Other types (*Kooperasi Lain-lain*)	Rp. Kg.	505,391.34 —
TOTAL PRIMARY CO-OPERATIVES (III–VIII)		Rp. Kg.	28,465,708.38 422,685.10
OVER-ALL TOTAL		Rp. Kg.	45,221,279.24 422,685.10

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IN MEMORIAM: MOHAMMAD HATTA (1902-1980)

George McT. Kahin

Mohammad Hatta, one of the two major political figures of modern Indonesian history, died on March 14 of this year. Together with Sukarno, he held a commanding position both in building the prewar Indonesian nationalist movement and as a leader of the Indonesian revolution. And it was he who played the major role in guiding his country successfully through the difficult seven-month transition period following the official transfer of sovereignty from The Netherlands at the end of 1949. Thereafter he remained largely off center stage, but continued intermittently for almost a decade to exert a significant influence on the course of his country's political life.

Born in Bukittinggi on August 12, 1902 into a prominent and strongly Islamic family, Mohammad Hatta was the grandson of a widely respected ulama from Batu Hampar (near Payakumbuh). His father, Haji Mohammad Jamil, died before Hatta's first birthday, and he was raised by the family of his mother. Coming from a wealthy family, she ran her own mail transport business. Hatta's intellectual precociousness was soon evident. In Bukittinggi he was able to study Dutch as well as the Koran after school, and his family helped direct him towards the best educational facilities available. After attending the Sekolah Melayu in Bukittinggi, he was sent to the Dutch language elementary school (ELS--Europeesche Lagere School) in Padang from 1913 to 1916. When thirteen, he passed the exams entitling him to admission to the HBS (Dutch Language Secondary School) in Batavia, but because of his youth his mother insisted he remain on for a while in Padang and first attend the MULO (junior secondary school) there. With extra time on his hands, he took a job without her knowledge in the post office--for which passing the HBS exam qualified him--while at the same time becoming interested in politics. Via his MULO's soccer association, of which he was made chairman, he broadened his contacts. In the offices of the Sarikat Usaha (United Endeavor), a merchants' educational association led by Taher Marah Soetan, he avidly read the political coverage of the available newspapers and reports of the Volksraad debates. At the age of sixteen, his interest in politics and the nationalist movement already well kindled, he was chosen treasurer of the branch of the Jong Sumatranen Bond that was first established in Padang in 1918.

In 1919 Hatta went to Batavia to attend the HBS, where he completed his studies with distinction in 1921. The next year he departed for what was to be a decade's residence in The Netherlands and entered the Rotterdam School of Commerce. He earned the degree of Doctorandus (Drs.) in 1932, after having studied intensively several fields of economics and completed all requirements for his doctorate with the exception of the thesis, which he never finished because of his immersion in political life.

In Holland Hatta quickly assumed a position of leadership in the major Indonesian nationalist organization, the Perhimpunan Indonesia. He was its treasurer from 1922 to 1925 and then its chairman until 1930. The PI's unequivocal demand

for Indonesia's independence and the military tone of nationalism that Hatta expressed in meetings of the organization and in its journal, *Indonesia Merdeka*, increasingly alarmed the Dutch authorities. Their concern was further heightened by Hatta's activities as Indonesian delegate to the League Against Imperialism beginning with its establishment in 1927. (It was through the League that he developed a close and long-lasting friendship with Nehru; and, like him, he eventually became critical of some of its policies, either resigning or being expelled in 1931.) Later in 1927 he was arrested and imprisoned by the Dutch for nearly six months, along with four other Indonesian nationalists active in the Perhimpunan Indonesia. At his trial he made a spirited defense which gained him greater prominence among Indonesian nationalists, and the subsequent publication of this speech under the title *Indonesia Vrij* (Free Indonesia) became an important document of the nationalist movement.

Upon returning to Indonesia in July 1932, Hatta immediately became prominent in the nationalist movement there, when he assumed the leadership of the more radical of the residual components of Sukarno's banned PNI (Partai Nasional Indonesia). With the help of Sutan Sjahrir and others, he built this up into a small but influential political movement known as the Club Pendidikan Nasional Indonesia (Indonesian National Education Club) or PNI Baru (new PNI). They organized this around the principle that a small body of well-trained, dedicated, and self-reliant cadre would have more staying power--and ultimately more influence--than the type of mass party that Sukarno headed, which they regarded as too reliant on a few vulnerable leaders. Their efforts lasted for only a year and a half, when Hatta found that Dutch concepts of justice were much harsher in his homeland than in Holland.

In February 1934 Hatta was arrested, along with Sjahrir, Bondan, Burhanuddin, and several other members of the Club Pendidikan, and incarcerated for most of a year in Batavia's Glodok jail. Then, still without trial, they were exiled to the notorious fever-ridden jungle concentration camp of Tanah Merah at Boven Digul in western New Guinea. In 1936 the Dutch transferred him, along with Sjahrir, to indefinite internment on the remote but more salubrious island of Banda Neira, where they joined two other prominent, exiled nationalist leaders, Iwa Kusumasumantri and Dr. Tjipto Mangunkusumo. There Hatta remained until late 1941, when, on the very eve of the Japanese attack, the Dutch evacuated him and these other nationalist leaders to Java.

Hatta was regarded by officials of the Japanese occupation administration as a prominent Islamic leader, whose influence in Indonesia was so great that they had to avoid antagonizing him too far. Like Sukarno, although Hatta cooperated with Japanese authority, he is generally credited with having attempted to use his position to build Indonesia's nationalist spirit, with ultimate independence his goal. During the occupation he was appointed Vice Chairman of the Poetera (Poesat Tenaga Rakjat) and later of the PPKI (Panitia Persiapan Kemerdekaan Indonesia--Committee for Preparation for Indonesian Independence), as well as a member of several advisory bodies.

With the outbreak of the Indonesian revolution, Hatta immediately moved to the forefront of its leadership alongside Sukarno. Together they declared their country's independence on August 17, 1945, and, sharing top authority as President and Vice President, they constituted the essential apex of the national leadership that saw their country through to independence. Throughout the five years of national revolution that, in fact, ended only in September 1950, they usually worked well and harmoniously together. Their individual qualities and the popular images they evoked were complementary and mutually reinforcing, contributing to the attainment and maintenance of national unity--an objective that obsessed both of them--

as well as to the drive and effectiveness of the revolution's leadership. Both were convinced that the price of unity was for socio-economic revolution to wait until the national revolution was completed, and their agreement on these priorities helped hold them together until well after the transfer of sovereignty. To Sukarno's charisma, keen political perceptiveness, and ability to inspire mass support, Hatta added organizational and administrative talent and an understanding of economic problems. Although no one could have described him as charismatic, he very clearly projected a quality of firm, self-assured, no-nonsense authority that few men were prepared to contest openly. In the symbolism of his dual leadership with Sukarno, Hatta was seen as representing Sumatra and, more generally, those Indonesians who took their Islamic religion most seriously.

Hatta's influential position in government gave many Sumatrans a greater confidence in the revolutionary Republic and its policies. During the struggle against the Dutch, he served as Yogyakarta's main liaison with, and representative in, Sumatra, making numerous--often hazardous--trips to the island. For six months following the launching of the Dutch attack of July 1947, he remained based in Bukittinggi as head of the Republic's government on Sumatra. Although only partially successful in overcoming schisms among Sumatran civilian and military leaders, he provided an important countervailing force for unity.

In January 1948, he returned to Yogyakarta to take over as Prime Minister at a time when the bitterness of interparty strife ruled out another party-led government. It was then that, in the face of a well-founded disillusionment and embitterment towards the US, he successfully insisted on Indonesia's continuing adherence to an independent and nonaligned foreign policy--an objective to which he was to adhere throughout his life.

There is still no soundly based historical judgment as to how far his forceful insistence upon seeing through the draconian army rationalization for which Colonel Nasution and some other army leaders were pressing, provoked the defection of pro-Communist military commanders whose positions were thereby threatened and consequently led to the Madiun rebellion. But there is no doubt that, once that challenge was underway, he dealt with it decisively and firmly. The major regret he expressed when I talked with him about this episode was that some army officers directly violated his orders that prisoners who had been arrested in connection with the rebellion be released--not massacred--if they could not be evacuated ahead of the attacking Dutch forces.

Hatta had only recently returned from one of his many trips to Sumatra, and was ill, largely from overwork, when the Dutch launched their surprise blitz assault on Yogyakarta on December 19, 1948. One consequence of his internment on the island of Bangka for the next half year was that, relieved of his administrative burdens, he was able to recover his health. And for me, there was the advantage that he could spare the time for long, searching discussions such as had been impossible in the Republic's capital.

In early July, after Indonesian resistance and mounting pressures from other countries and from within Holland had forced the Dutch government to move towards accepting the Republic's claim to independence, Hatta resumed his position as the active head of its government. From August 23 to November 2, he led the Republic's delegation to the Round Table Conference at The Hague for the final negotiations with the Dutch. Although for the most part an effective negotiator, in the view of his colleagues Hatta placed too much trust in Merle Cochran, the American representative there. While serving as Chairman of the UN's Good Offices Committee, Cochran clearly misrepresented the actual temper of a US Senate that had finally interested itself in the Dutch-Indonesian dispute, and the scope that the

Truman Administration was willing to give Cochran himself in the negotiations. On at least one issue--the amount of debt that the new Indonesian government was obliged to take over from the colonial administration--it is clear that Cochran seriously misled Hatta as to Washington's attitude, inducing him to agree to a considerably larger debt load than was either equitable or necessary. (Hatta's subsequent frigidity towards Cochran reflected his realization that the man in whom he had placed so much confidence had deceived him, and this was undoubtedly one of the reasons for Cochran's ineffectiveness as Washington's first ambassador to Jakarta.)

In the first seven months of 1950, just after the formal transfer of Dutch sovereignty, Hatta made one of his finest, though, I think, often insufficiently recognized, contributions to his country's political development. With great skill and tact, he served as the respected moderator in this tension-ridden transition period during which the federalist legacy of Dutch efforts at divide and rule gave way before the pressures of the broadly based unitarian movement that demanded its liquidation. This involved not only delicate and arduous negotiation, but also a difficult process of constitutional revision. And it was during Hatta's last tour as Prime Minister, which ended on September 6, 1950, that the complex, emotionally charged, and dangerous program of reducing the armed forces and fusing the armies of the Republic with the residual KNIL (the Dutch Colonial Army) was mostly accomplished. In this period he was also able to make important progress in the parallel effort to fuse, rationalize, and reduce the enormous bureaucracy left by the struggle against the Dutch--some 240,000 Republican and 180,000 Federalist civil servants. Though the planned overall reduction to a composite body of 230,000 civilian officials was never attained, Hatta probably tackled this thankless job as effectively as anyone could have done under the circumstances.

That the potentially explosive passage from the Dutch-imposed federal order to a unitary Republic in September 1950 was attended by so little political trauma and bloodshed must, I think, be credited to his statesmanship more than to that of any other man. It was one of the cruel ironies of his life that, having led his country away from the discredited artificial federalist order that the Dutch had established, he was never able, despite persistent effort, to move it towards the genuine decentralization that he believed its character and political health required.

Thereafter, on only three occasions, and in every case only briefly, did Hatta again assume a central political role. When in mid-July 1955, Sukarno, momentarily outmaneuvered by elements of the army, absented himself from the country on a tour abroad, Hatta assumed full presidential power. In that capacity he designated Burhanuddin Harahap of the Masjumi as formateur of a cabinet that endured through the long-delayed elections and the emergence of a new parliamentary government led by Ali Sastroamidjojo and the PNI on March 24 of the following year.

Beginning in the last months of 1956, Hatta once again moved under the political spotlight with his strong public criticism of the Guided Democracy with which Sukarno and the army were aiming to supplant the elected parliamentary government. Hatta saw the system of parliamentary government as basically sound and potentially well suited to Indonesian conditions. It had failed thus far in Indonesia, he believed, because it had not been appropriately adapted to local conditions. Its application in the postrevolutionary period, he argued, had been a simplistic mirroring of a variant borrowed from The Netherlands, one attuned to Dutch requirements and experience--not Indonesian realities. Despite the force of his arguments, he was unable to prevail against the powerful marriage of convenience between Sukarno and the army. Wanting no place in the authoritarian government they were introducing, he resigned from his position as Vice President on December 1, 1956.

For most of the next two years he was occupied in mounting a rearguard action against the proponents of Guided Democracy and in attempting to head off the threat of regional separation precipitated in part by efforts at increased centralization of power in both the government and the military. In early 1958, with the outbreak of the PRRI and Permesta rebellions in Sumatra and Sulawesi, he was once again in a position of potential political importance. It is logical to conclude that he stood a reasonable chance of succeeding in his strenuous efforts to find a common ground for compromise between Sukarno and the dissident Masjumi political leaders within the PRRI. However, he had little rapport and influence with the dissident colonels, on either Sumatra or Sulawesi, who had been the original instigators of the rebellions. From the talks I subsequently had with him about these developments, it always seemed to me that in his mediating role he had been seriously disadvantaged by the extent to which he was cut off from important intelligence that needed to be factored into any successful effort at compromise. Thus, Hatta and the Masjumi political leaders on Sumatra with whom he was trying to negotiate were apparently almost equally ignorant about the extent of the ties of the dissident regional colonels and their financial adviser, Professor Sumitro, with the CIA and the US and Taiwanese military establishments. Had Hatta still been Vice President, he would presumably have been privy to this information--which clearly affected the attitudes of Sukarno and Prime Minister Djuanda, as well as General Nasution--and his efforts at mediation might have been more effective.

Although these abortive rebellions against Jakarta led to greater centralization of its power, Hatta continued for many years to argue cogently for a devolution of political, administrative, and fiscal authority in keeping with the country's expanse and diversity. He held that, for a state of Indonesia's proportions and character, "democracy is incompatible with the principle of centralism. . . . the larger the national territory and the more differentiation in the various aspects of life, the more specific problems there are pertaining to these separate areas that cannot be dealt with from the central seat of the national government." He refused to support those who advocated a senate, believing that such an additional representative body would slow the process of national government too much. He regarded the existing pattern of decentralization through provices as largely a facade, and was convinced that the kabupaten and its outer island equivalents were the appropriate units for local self-government and national elections, and that the province's chief function should be as a coordinating body for the several kabupaten in its territory. Single-member election constituencies based upon the kabupaten unit, voting on an absolute majority basis would, he was convinced, have had a politically integrating effect, as well as more effectively representing regional needs. Political parties adapted to such a system could, he was convinced, have provided a much stronger foundation for parliamentary government than the party and election system that had been so mindlessly borrowed from The Netherlands.

If the kabupaten were the major unit of national autonomy, Hatta believed it would be possible to guide the gradual development of village self-administration; but without this devolution and an increasing self-rule at the village level, it would be impossible to realize his long-cherished plans for village credit and sales cooperatives. Having justifiably earned the name of "father of cooperatives" in his country, Hatta was deeply disappointed that, a decade after the revolution, his long efforts to root them in the villages had proved a failure. In discussing this with me in early 1960 he ascribed their weakness to two main causes--insufficient training of local administrative personnel and too little financial support from the government to get them far enough underway to stand on their own. He saw Indonesia's Chinese as still performing a necessary role in marketing and dispensing credit in rural society and believed that considerably more time and preparation

would be necessary before it would be feasible to replace them with peasant cooperatives. He continued, however, to see cooperatives as potentially providing the means for lightening the peasants' burdens, and helping insure that they could hold on to their land. Cooperatives were, he believed, the most promising instrument available for giving the village the strength to maintain a healthy autonomy in the face of the central government's growing weight and for insuring greater social justice for Indonesia's exploited rural majority, or, as he put it, "a bridge toward economic democracy."

Although I was fortunate enough to talk to Hatta many times from 1948 to 1976, the last time I visited Indonesia, there were three periods which were especially conducive to extended and intensive discussions and which proved particularly helpful to me in exploring and understanding his views. The first was in May 1949, when I visited him on Bangka where he had been interned by the Dutch along with several other prominent leaders of the Republic. The second was during my next visit to Indonesia in 1954-55, when I was in the process of establishing the Cornell Modern Indonesia Project. Among the leaders with whom I discussed its plans, he was especially interested and helpful in establishing the guidelines of its research--both for its Indonesian and Western participants; but there was an unexpected extra benefit, for in the course of talking about the kinds of research that would be more useful to Indonesia we touched on a wider range of subjects than we would probably have otherwise discussed. Another occasion for such extended talks arose during his visits to Ithaca in 1960 and 1968 as a guest of Cornell's Indonesia Project. Although some of these discussions were on subjects well covered in Hatta's writings, others yielded impressions about important aspects of his thinking that I believe have not been widely appreciated. In the hope, then, of making his character and ideas a little clearer, let me refer to a few of them.

First, despite the perception that many have had, Hatta was not--at least in the middle years when I knew him best--dogmatic and rigid. He did always insist on intellectual precision, and he had strong views on a number of subjects; but I found him refreshingly open-minded and independent in his political and social thought. One of my first impressions when we talked in 1948 and 1949 was his refusal to talk in doctrinaire and stereotypical terms. This was evident even when we talked about men who were strongly opposed to him politically. Thus, he saw Musso as being "more of an anarchist than a communist." Sjarifuddin was "too religious to be a communist," and, if he insisted on calling himself one, then it "must be a new kind of communism." Tan Malaka he respected as a dedicated nationalist, whose communism served his nationalism, who was unwilling to accept any direction from Moscow, and who had a sound understanding of Marxism. (Hatta was always justifiably proud of his own command of Marxist theory and literature and at this time recognized only one PKI leader--Tan Ling Djie--as being really knowledgeable.)

But certainly about the principles he held most strongly he was steadfast and unyielding. He never abandoned his belief in Indonesia's maintaining strict adherence to independence and nonalignment in foreign policy. Alignment on a particular issue at a particular time, yes; but never surrendering her independence and freedom of choice to a long-term commitment to any power, no matter what the inducement, economic or otherwise. He probably argued his position most eloquently in the April 1953 issue of *Foreign Affairs*. The date of that article was important, for it appeared at a time that John Foster Dulles was making clear that such independence was impossible in the bipolar world he and Eisenhower perceived, and that Indonesia's nonalignment meant aiding and abetting the Communist bloc. In later years, I sensed that the economic dimension of the problem of maintaining an

independent foreign policy was the one which most concerned Hatta, and thus he appeared increasingly worried over Indonesia's growing dependence on the United States and Japan.

His deep commitment to democratic government is, of course, well known, and it surfaced in nearly all of our discussions. He felt that to have taken over the Dutch system of parties and elections was a major mistake and that, as a consequence, Indonesia had never had a fair test of democracy. He was strongly opposed to functional representation, regarding it as a device employed by governments for manipulating politics so as to insure their own continuing dominance. He was contemptuous of the military's assertion of a right to a "dual function," seeing the army's spread into administrative and economic life as grossly incompatible with maintenance of professionalism and morale among officers and soldiers, and as involving a level of corruption and mismanagement of the economy that was ruinous for the country.

There was, however, another subject about which he seemed to me to feel even more strongly. This was the socio-economic role of Islam in Indonesian society. It was on May 4, 1949, in one of our discussions on Bangka, that he first introduced this subject. "The basis of Islamic thought," he said, "is in the direction of socialism, and it would be possible in Indonesia to make a working synthesis" of Islam and socialism, with individuals following Islam and socialism together. He went on to observe that "social justice and the brotherhood of people are the pillars of Islam; if I have only one loaf of bread for today and tomorrow, I must give half to a dying man; that is the economic basis of Islam." As we discussed the situation further, he made clear that what he believed best suited to Indonesia would be a mixed economy with a large socialist sector, a substantial cooperative sector--primarily at the rural level--and a limited capitalist sphere whereby small business would continue to coexist with these larger sectors. He did not think it would be necessary to develop "a capitalist middle class before a basically socialist society could be established, or even in order to have the necessary administrative personnel to man the apparatus of a socialist society." Most suitable for Indonesia, he believed, would be a mixed, but heavily socialist, economy, resting on democratic political foundations. According to my notes, he concluded that discussion with the observation that he felt that within his lifetime his people would have formed such a society.

Hatta was, of course, disappointed in his expectations, and in later years he came to lower his sights. But never did he abandon his belief that Islam could play a progressive socio-economic role that would lead Indonesia to greater social justice. That idea was very much in his mind in talks I had with him in 1967, and then and in subsequent talks he expressed great disappointment and bitterness that the Suharto government prohibited his establishing and leading a political party dedicated to that goal. That one of the two principal founding fathers of a nation was denied such an opportunity and had his political freedom abridged for the remainder of his life, reveals the sense of insecurity of those who made these decisions.

But even though shut out from participation in politics, Hatta remained something of a political symbol, one that was disturbingly awkward for those who held power. For in the face of a government that was increasingly dictatorial and corrupt, he stood out as a sort of stubborn reminder that political leadership in Indonesia had been possible without these qualities, and that one of the country's truly great men remained intellectually honest, uncorrupt, and genuinely devoted to social justice and democratic government.

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